

Block, Inc.

Proxy Statement

Notice of 2022 Annual Meeting of Stockholders



JUNE 14, 2022

BLOCK, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held at 10:00 a.m. (U.S. Pacific Time) on Tuesday, June 14, 2022

Dear Stockholders of Block, Inc.:

We cordially invite you to attend the 2022 annual meeting of stockholders (the “Annual Meeting”) of Block, Inc., a Delaware corporation, which will be held virtually on **Tuesday, June 14, 2022, at 10:00 a.m. (U.S. Pacific Time)**. You can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/SQ2022, where you will be able to listen to the meeting live, submit questions and vote your shares online during the meeting, just as you could at an in-person meeting.

We are holding the Annual Meeting for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect two Class I directors to serve until the 2025 annual meeting of stockholders and until their successors are duly elected and qualified;
2. To approve, on an advisory basis, the compensation of our named executive officers;
3. To approve, on an advisory basis, the frequency of future stockholder advisory votes on the compensation of our named executive officers;
4. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022;
5. To vote upon a stockholder proposal, if properly presented at the Annual Meeting; and
6. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Our board of directors has fixed the close of business on April 21, 2022 (U.S. Eastern Time) as the record date for the Annual Meeting. Only stockholders of record at the close of business on April 21, 2022 (U.S. Eastern Time) are entitled to notice of, and to vote at, the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for examination during ordinary business hours for 10 days prior to the Annual Meeting at 1455 Market Street, Suite 600, San Francisco, California 94103. Reasonable accommodations will be made if we cannot make the list available at such location. The stockholder list will also be available online during the Annual Meeting. Further information regarding voting rights, the matters to be voted upon and instructions to attend the Annual Meeting is presented in the accompanying proxy statement.

The Notice of Internet Availability of Proxy Materials containing instructions on how to access the proxy statement and our annual report is first being mailed on or about April 28, 2022 to all stockholders entitled to vote at the Annual Meeting. The accompanying proxy statement and our annual report can be accessed by visiting www.proxyvote.com. You will be asked to enter the 16-digit control number located on your Notice of Internet Availability of Proxy Materials, your proxy card or the instructions that accompanied your proxy materials to attend the Annual Meeting.

Holders of record of Chess Depositary Interests (“CDI”) as of the close of business on April 21, 2022 (U.S. Eastern Time) may vote the shares of our Class A common stock underlying their CDIs through our CDI Depositary, CHESS Depositary Nominees Pty Ltd (“CDN”). Each CDI holder may instruct CDN to vote on behalf of such CDI holder at the Annual Meeting by either voting online at www.investorvote.com.au or contacting Computershare Australia using the details on the Notice of Access Letter to request a hard copy of the CDI voting form to be sent in the mail to their registered address. The CDI Notice of Access Letter is being mailed or emailed from Australia to CDI holders on or about April 29, 2022 (Australia time).

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting, we urge you to submit your vote via the Internet, telephone or mail as soon as possible to ensure your shares are represented. For additional instructions on attending the Annual Meeting or voting your shares (or directing CDN to vote if you hold your shares in the form of CDIs), please refer to the section titled “Questions and Answers About Our Proxy Materials and Annual Meeting” in this proxy statement. Returning the proxy does not deprive you of your right to attend the Annual Meeting and to vote your shares at the Annual Meeting.

We appreciate your continued support of Block.

By order of the Board of Directors,



Jack Dorsey
Block Head and
Chairperson of the Board

April 28, 2022

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EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. Throughout this proxy statement, we refer to our 2022 annual meeting of stockholders (and any postponements, adjournments, or continuations thereof) as our Annual Meeting.

Information about our 2022 Annual Meeting of Stockholders

Date and Time: Tuesday, June 14, 2022, at 10:00 a.m. (U.S. Pacific Time).

Location: The Annual Meeting will be a completely virtual meeting. You can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/SQ2022, where you will be able to listen to the meeting live, submit questions and vote your shares online during the meeting.

Record Date: April 21, 2022 (U.S. Eastern Time)

Voting Matters

	Proposals	Board Recommendation	Page Number for Additional Information
1	To elect Jack Dorsey and Paul Deighton as Class I directors.	FOR	20
2	To approve, on an advisory basis, the compensation of our named executive officers.	FOR	21
3	To approve, on an advisory basis, the frequency of future stockholder advisory votes on the compensation of our named executive officers.	ONE YEAR	22
4	To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022.	FOR	23
5	To vote upon a proposal submitted by one of our stockholders regarding a change in stockholder voting, if properly presented at the Annual Meeting.	AGAINST	25

We will also transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof. As of the date of this proxy statement, we have not received notice of any such business.

Corporate Governance Highlights

We are committed to having sound corporate governance principles that we believe promote long-term value and serve the best interest of all our stockholders, sellers, customers and other stakeholders. Some highlights of our corporate governance practices are listed below:

- Proactive approach to board pipeline management
- 10 out of 13 current directors are independent
- 4 out of 13 current directors are women; 3 out of 13 identify as LGBTQ or are underrepresented minorities
- 3 out of 5 executive officers are women
- Separate lead independent director and Chairperson
- Strong risk oversight by full board and committees
- Annual board, committee and individual director evaluations
- Significant stock ownership requirements for directors and executive officers
- Insider Trading Policy prohibits hedging and pledging transactions
- All board committees are 100% independent
- Each director attended at least 75% of board and committee meetings held during the period for which they served

Our 2022 Director Nominees

Our Class I director nominees both currently serve on the board and demonstrate a mix of experiences and perspectives.

	Name	Director Since	Experience	Independence	Board and Committee Positions	Other Current Public Company Boards
	Jack Dorsey	2009	Block Head and Chairperson - Block, Inc.	X	Chairperson of the Board	Twitter, Inc.
	Paul Deighton	2016	Former U.K. Commercial Secretary to the Treasury	✓	Compensation Committee	None

Executive Compensation Philosophy and Highlights

Our Compensation Philosophy

Block stands for economic empowerment. We build tools to help more people access the economy. Square helps sellers run and grow their businesses with its integrated ecosystem of commerce solutions, business software, and banking services. With Cash App, anyone can easily send, spend or invest their money in stocks or Bitcoin. Artists use TIDAL to help them succeed as entrepreneurs and connect more deeply with their fans. TBD is building an open developer platform to make it easier to access Bitcoin and other blockchain technologies without having to go through an institution. Our customers inspire us in how they innovate, take risks and take ownership. We want our employees, like our customers, to act like owners. Our compensation approach reflects this philosophy.

To this end, our compensation programs are designed to attract, retain and grow the best teams while reflecting the core tenets of our culture:

- *Performance-driven*: By creating compensation programs that reward individual performance and achievement of corporate objectives, our employees are incentivized to perform their best work and receive financial awards for their impact on Block and our business.
- *Fairness*: By designing and delivering compensation programs that are equitable across similarly situated employees, our employees are motivated to work collaboratively to achieve our long-term business objectives and serve our customers.
- *Simplicity*: By providing compensation programs that are simple and do not distract from their day-to-day responsibilities, our employees are able to focus on growing our business and are rewarded when Block is successful.

Executive Compensation Highlights

- **Block Head Compensation.** At his request, our Block Head receives no cash or equity compensation except for an annual salary of \$2.75.
- **Annual Say-on-Pay Vote.** We conduct an annual non-binding advisory vote on the compensation of our named executive officers. At our 2021 annual meeting of stockholders, more than 93% of the votes cast on the say-on-pay proposal were voted in favor of the named executive officers' compensation.
- **Clawback Policy.** Our executives are subject to a clawback policy, which permits our board to require forfeiture or reimbursement of incentive compensation if an executive engages in certain misconduct.
- **Independent Compensation Consultant.** Our compensation committee engages its own independent compensation consultant to advise on executive and non-employee director compensation matters.
- **Alignment of Compensation with Company Success.** A substantial percentage of our executive's compensation aligns with the long-term success of the company through grants of stock options and restricted stock-based awards.
- **Risk Oversight.** Risk and exposures mitigated by strong oversight by our compensation committee.
- **Stock Ownership Guidelines.** Our stock ownership guidelines require significant stock ownership levels and are designed to align the long-term interests of our executives and non-employee directors with those of our stockholder.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Block, Inc., a Delaware corporation (referred to herein as the “Company”, “Block”, “we”, “us” or “our”), is committed to having sound corporate governance principles. Our business affairs are managed under the direction of our board of directors, which is currently composed of 13 members. Mr. Viniar and Dr. Patterson, who are each Class I directors, have informed the Company of their decision to not stand for re-election at the Annual Meeting. Their decision to not stand for re-election was not a result of any disagreements with the Company on any matter relating to the Company’s operations, policies or practices. Their term as directors will end when their current term as Class I directors expires at the Annual Meeting. Concurrent with the Annual Meeting, the size of the board of directors will decrease from 13 directors to 11 directors.

All of our directors, other than Messrs. Carter, Dorsey and McKelvey, are independent within the meaning of the listing standards of the New York Stock Exchange. Our board of directors is divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the class whose term is then expiring.

The following table sets forth the names, ages as of March 31, 2022 and certain other information for each of the members of our board of directors with terms expiring at our Annual Meeting, who are also nominees for election as a director at the Annual Meeting, and for each of the continuing members of our board of directors:

Name	Class	Age	Position	Director Since	Current Term Expires	Expiration of Term For Which Nominated
Directors with Terms Expiring at the Annual Meeting/Nominees						
Jack Dorsey	I	45	Block Head and Chairperson	2009	2022	2025
Paul Deighton(1)*	I	66	Director	2016	2022	2025
Continuing Directors						
Roelof Botha(1)(2)	II	48	Director	2011	2023	—
Amy Brooks(3)	II	47	Director	2019	2023	—
Shawn Carter	II	52	Director	2021	2023	—
James McKelvey	II	56	Director	2009	2023	—
Randy Garutti(3)	III	46	Director	2017	2024	—
Mary Meeker(1)	III	62	Director	2011	2024	—
Sharon Rothstein(1)	III	64	Director	2022	2024	—
Lawrence Summers(2)	III	67	Director	2011	2024	—
Darren Walker(3)	III	62	Director	2020	2024	—

(1) Member of our compensation committee

(2) Member of our audit and risk committee

(3) Member of our nominating and corporate governance committee

* Effective at the Annual Meeting, Mr. Deighton will join our audit and risk committee and serve as its Chair following Mr. Viniar’s departure.

Nominees for Director

Jack Dorsey is our co-founder and has served as our principal executive officer and as a member of our board of directors since July 2009, having previously served as our Chief Executive Officer and President since July 2009 until his title changed to Block Head as of April 2022. From May 2007 to October 2008, Mr. Dorsey served as President and Chief Executive Officer of Twitter, Inc. (“Twitter”). Mr. Dorsey returned to serve as Chief Executive Officer of Twitter from July 2015 until November 2021. He has served as a director of Twitter since May 2007 and will not stand for re-election at Twitter’s 2022 annual stockholders’ meeting. From December 2013 to March 2018, Mr. Dorsey served as a member of the board of directors of The Walt Disney Company.

Mr. Dorsey was selected to serve on our board of directors because of the perspective and experience he provides as one of our founders and our Block Head, as well as his extensive experience with technology companies and innovation.

Paul Deighton has served as a member of our board of directors since May 2016. Mr. Deighton has served as the non-executive Chairperson of The Economist Group since July 2018 and of Heathrow Airport Holdings Limited, the owner of Heathrow Airport in the United Kingdom, since June 2016. From December 2012 to May 2015, Mr. Deighton served as Commercial Secretary to the Treasury and as a member of the House of Lords in the United Kingdom. Mr. Deighton previously served as the Chief Executive Officer of the London Organising Committee of the Olympic and Paralympic Games and held various roles at Goldman. Mr. Deighton currently serves as the non-executive Chairperson of Hakluyt Company Limited, an advisory firm, and as a member of the Restoration and Renewal Programme Sponsor Body of the Houses of Parliament. Mr. Deighton holds a B.A. in Economics from Trinity College, Cambridge University.

Mr. Deighton was selected to serve on our board of directors because of his financial and business expertise, as well as his international perspective and his government and regulatory experience.

Continuing Directors

Roelof Botha has served as a member of our board of directors since January 2011 and has been appointed as our Lead Independent Director, effective at the Annual Meeting. Since January 2003, Mr. Botha has served in various positions at Sequoia Capital, a venture capital firm, including as a Managing Member of Sequoia Capital Operations, LLC. From 2000 to 2003, Mr. Botha served in various positions at PayPal, including as Chief Financial Officer. Mr. Botha currently serves on the boards of directors of 23andMe Holding Co., Bird Global, Inc., Eventbrite, Inc. (“Eventbrite”), Natera, Inc., MongoDB, Inc. and Unity Software Inc. and a number of privately-held companies. Mr. Botha has notified Eventbrite that he does not plan to stand for re-election when his current term expires at the company’s 2022 annual meeting of stockholders, expected to be held in June 2022. Mr. Botha holds a B.S. in Actuarial Science, Economics and Statistics from the University of Cape Town and an M.B.A. from the Stanford Graduate School of Business.

Mr. Botha was selected to serve on our board of directors because of his financial and managerial experience.

Amy Brooks has served as a member of our board of directors since October 2019. Since November 2017, Ms. Brooks has served as President, Team Marketing & Business Operations and Chief Innovation Officer at the National Basketball Association (“NBA”), after serving as Executive Vice President from May 2014 to November 2017 and Senior Vice President from January 2010 to

May 2014. Ms. Brooks also currently serves on the board of the Positive Coaching Alliance and on the board of directors of a privately-held company. Ms. Brooks holds a B.A. in Political Science and Communication from Stanford University and an M.B.A. from the Stanford Graduate School of Business.

Ms. Brooks was selected to serve on our board of directors because of her sales and marketing experience, as well as her expertise in growing a global brand.

Shawn Carter has served as a member of our board of directors since May 2021. Known professionally as Jay-Z, Mr. Carter is a musician, songwriter, record executive, producer and entrepreneur. He has served as the co-founder and majority owner of Roc Nation LLC and founder of Marcy Media LLC, a full-service agency and entertainment company, since 2008 and co-founder and Manager of Marcy Venture Partners, L.P., a venture capital and private equity firm, since March 2019. Since March 2015, he has been a founder, shareholder and artist of TIDAL, which is currently majority owned by Block. Since 2014, Mr. Carter has served as the co-founder, manager and board member of Ace of Spades Holdings, LLC, a luxury champagne company, and serves on the boards of directors of a number of privately-held companies. Mr. Carter has also served as the Chief Visionary Officer of TPCO Holdings Corp. (“TPCO Holdings”) since November 2020, and previously the Chief Brand Strategist of Caliva, from July 2019 until its acquisition by TPCO Holdings in November 2020. Since 2003, Mr. Carter has served as the founder of the Shawn Carter Scholarship Foundation, a charitable organization focused on education. He also currently serves on the board of directors of REFORM, a philanthropic organization advocating for criminal justice reform.

Mr. Carter was selected to serve on our board of directors because of his entrepreneurial experience and expertise in the music industry, which is valuable for our TIDAL business.

James McKelvey is our co-founder and has served as a member of our board of directors since July 2009. Since March 2012, Mr. McKelvey has served in various positions at Mira Smart Conferencing, a digital conferencing company. Mr. McKelvey previously served on the boards of directors of MoneyonMobile, Inc. from May 2016 to August 2018 and Ajax I Holdings, Inc. from October 2020 to August 2021, and currently serves on the boards of directors of a number of privately-held companies, as well as the Federal Reserve Bank of St. Louis. Mr. McKelvey holds a B.S. in Computer Science and a B.A. in Economics from Washington University in St. Louis.

Mr. McKelvey was selected to serve on our board of directors because of the perspective and experience he brings as one of our founders.

Randy Garutti has served as a member of our board of directors since July 2017. Since April 2012, Mr. Garutti has served as Chief Executive Officer and on the board of directors of Shake Shack, Inc. (“Shake Shack”). Prior to becoming Chief Executive Officer, Mr. Garutti served as Chief Operating Officer of Shake Shack since January 2010. Before Shake Shack, Mr. Garutti was the Director of Operations for Union Square Hospitality Group, LLC, overseeing the operations for all its restaurants. Additionally, Mr. Garutti currently serves on the boards of directors of USHG Acquisition Corp. and the Columbus Avenue Business Improvement District, a not-for-profit organization. Mr. Garutti holds a B.S. in Hotel Administration from Cornell University's School of Hotel Administration.

Mr. Garutti was selected to serve on our board of directors because of his business expertise and leadership of a global brand.

Mary Meeker has served as a member of our board of directors since June 2011. Since January 2019, Ms. Meeker has served as a General Partner of Bond Capital. From December 2010 to December 2018, Ms. Meeker served as a General Partner of Kleiner Perkins Caufield & Byers.

From 1991 to 2010, Ms. Meeker worked at Morgan Stanley as a Managing Director and Research Analyst. Ms. Meeker previously served on the boards of directors of LendingClub Corporation from June 2012 to June 2019 and DocuSign, Inc. from July 2012 to June 2019, and currently serves on the boards of directors of Nextdoor Holdings, Inc. and a number of privately-held companies. Ms. Meeker holds a B.A. in Psychology from DePauw University and an M.B.A. from Cornell University.

Ms. Meeker was selected to serve on our board of directors because of her extensive experience advising and analyzing technology companies.

Sharon Rothstein has served as a member of our board of directors since January 2022. Since October 2018, Ms. Rothstein has served as an Operating Partner at Stripes, LLC (“Stripes”), a growth equity firm. Prior to joining Stripes, Ms. Rothstein served as Executive Vice President, Global Chief Marketing Officer, and subsequently, as Executive Vice President, Global Chief Product Officer of Starbucks Corporation from April 2013 to February 2018. Prior to joining Starbucks, Ms. Rothstein held senior marketing and brand management positions with Sephora, Godiva, Starwood Hotels and Resorts, Nabisco Biscuit Company and Procter & Gamble. Ms. Rothstein currently serves on the boards of directors of Yelp Inc., InterContinental Hotels Group PLC and a number of privately-held companies. She previously served on the board of directors of Afterpay Limited (“Afterpay”) from June 2020 until its acquisition by Block in 2022. Ms. Rothstein holds a Bachelor of Commerce from the University of British Columbia and an M.B.A. from the University of California, Los Angeles.

Ms. Rothstein was appointed to our board of directors pursuant to the terms and conditions of Block’s acquisition of Afterpay Limited. She was selected to serve on our board of directors because of her marketing expertise and global operations experience.

Dr. Lawrence Summers has served as a member of our board of directors since June 2011. Since January 2011, Dr. Summers has served as the Charles W. Eliot University Professor & President Emeritus of Harvard University and the Weil Director of the Mossaah-Rahmani Center for Business & Government at the Harvard Kennedy School. From January 2009 to December 2010, Dr. Summers served as Director of the National Economic Council for President Obama. Dr. Summers previously served as President of Harvard University, and he has also served in various other senior policy positions, including as Secretary of the Treasury and Vice President of Development Economics and Chief Economist of the World Bank. Dr. Summers previously served on the board of directors of LendingClub Corporation from December 2012 to June 2018, and currently serves as the Chairperson of the International Advisory Board at Santander Bank and on the boards of directors of Skillsoft Corp. and Doma Holdings, Inc., as well as several privately-held companies. Dr. Summers holds a B.S. in Economics from Massachusetts Institute of Technology and a Ph.D. in Economics from Harvard University.

Dr. Summers was selected to serve on our board of directors because of his extensive policy experience and in-depth knowledge of macroeconomic trends.

Darren Walker has served as a member of our board of directors since June 2020. Since 2013, Mr. Walker has served as the President of the Ford Foundation, a philanthropic organization. From 2010 to 2013, he served as Vice President for Education, Creativity and Free Expression at the Ford Foundation. Prior to the Ford Foundation, Mr. Walker worked for the Rockefeller Foundation, a philanthropic organization, and served as a Vice President responsible for foundation initiatives from 2005 to 2010. Mr. Walker currently serves on the boards of directors of Ralph Lauren Corporation, PepsiCo, Inc. and on the boards of directors of several non-profit organizations, including the National Gallery of Art, Lincoln Center for the Performing Arts, Friends of the High

Line, the Smithsonian National Museum of African American History & Culture and Carnegie Hall. Mr. Walker is also a member of the Council on Foreign Relations and the American Academy of Arts and Sciences. Mr. Walker holds B.A., B.S. and J.D. degrees from the University of Texas at Austin.

Mr. Walker was selected to serve on our board of directors because of his philanthropic experience and work around social justice, which is aligned with Block's purpose of economic empowerment.

Director Independence

Our Class A common stock is listed on the New York Stock Exchange. Under the listing standards of the New York Stock Exchange, independent directors must comprise a majority of a listed company's board of directors. In addition, the listing standards of the New York Stock Exchange require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the listing standards of the New York Stock Exchange, a director will only qualify as an "independent director" if, in the opinion of that listed company's board of directors, that director does not have a material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). As noted in the commentary to the listing standards, the concern is independence from management.

Audit and risk committee members must also satisfy the additional independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the listing standards of the New York Stock Exchange. Compensation committee members must also satisfy the additional independence criteria set forth in Rule 10C-1 under the Exchange Act and the listing standards of the New York Stock Exchange.

Our board of directors has undertaken a review of the independence of each of our directors. Based on information provided by each director concerning their background, employment and affiliations, our board of directors has determined that none of Ms. Brooks, Meeker and Rothstein, Messrs. Botha, Deighton, Garutti, Viniar and Walker and Drs. Patterson and Summers has a material relationship with the Company and that each of these current directors is "independent" as that term is defined under the applicable rules and regulations of the Securities and Exchange Commission ("SEC") and the listing standards of the New York Stock Exchange. In making the determination of the independence of our directors, the board of directors considered relevant transactions between Block and entities associated with our directors or members of their immediate families, including transactions involving Block and payments made to or from companies and entities in the ordinary course of business where our directors or members of their immediate families serve as partners, directors or as a member of the executive management of the other party to the transaction, and determined that none of these relationships constitute material relationships that would impair the independence of our directors.

Board Leadership Structure and Role of Our Lead Independent Director

Mr. Dorsey currently serves as the Chairperson of our board of directors and as our Block Head. Our independent directors bring experience, oversight and expertise from outside of our Company, while Mr. Dorsey brings current company-specific experience, leadership and insight. As our co-founder and Block Head, Mr. Dorsey is best positioned to identify strategic priorities, oversee product development, lead critical discussions and execute our business plans.

Our board of directors has adopted Corporate Governance Guidelines that provide that one of our independent directors should serve as our Lead Independent Director at any time when the Chairperson of our board of directors is not independent, including when our Block Head serves

as the Chairperson of our board of directors. Because Mr. Dorsey is our Chairperson and is not an “independent” director as defined in the listing standards of the New York Stock Exchange, our board of directors has appointed a Lead Independent Director. Mr. Viniar has served as our Lead Independent Director since November 2015. In connection with Mr. Viniar’s decision to not stand for re-election at the Annual Meeting, the board appointed Mr. Botha as Lead Independent Director, effective at the Annual Meeting. Mr. Botha has served on the board of directors since January 2011. As a seasoned director with extensive experience in the financial technology industry, he has played an essential role advising our senior management in key strategic areas and has provided independent oversight in his role as a member of both our audit and risk committee and our compensation committee, and our board of directors believes that he will be a strong, independent and effective Lead Director.

Our Lead Independent Director is, among other things, responsible for the following:

- calling, determining the agenda and serving as chairperson of meetings of independent directors and approving the agendas for regularly scheduled board of directors meetings;
- facilitating discussion and open dialogue among the independent directors during board meetings, executive sessions and outside of board meetings;
- providing feedback to the Company’s Block Head and Chairperson of the board regarding the executive sessions;
- serving as liaison between the Chairperson and the independent directors, without inhibiting direct communication between them;
- in consultation with our nominating and corporate governance committee, reviewing and reporting on the results of our board of directors and its committees’ performance self-evaluations;
- serving as spokesperson for the Company as requested; and
- performing such other responsibilities as may be designated by a majority of the independent directors from time to time.

We believe that the leadership structure of Mr. Dorsey’s combined role and having a separate Lead Independent Director enables strong leadership, creates clear accountability and enhances our ability to communicate our message and strategy clearly and consistently to stockholders while ensuring robust, independent oversight by the board of directors and Lead Independent Director.

Board Meetings and Committees

During our fiscal year ended December 31, 2021, our board of directors held six meetings (including regularly scheduled and special meetings), and each director attended at least 75% of the aggregate of (i) the total number of meetings of our board of directors held during the period for which they have been a director and (ii) the total number of meetings held by all committees of our board of directors on which they have served during the periods that they served.

Although our Corporate Governance Guidelines do not have a formal policy regarding attendance by members of our board of directors at annual meetings of stockholders, we encourage, but do not require, our directors to attend. All of our directors attended our 2021 annual meeting of stockholders.

Our board of directors has established an audit and risk committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each

of the committees of our board of directors is described below. Members will serve on these committees until their resignation or until otherwise determined by our board of directors.

In addition to the responsibilities described below, each of the audit and risk committee, compensation committee, and nominating and corporate governance committee provide oversight over the relevant activities of Square Financial Services, Inc. (“Square Financial Services”).

Audit and Risk Committee

Our audit and risk committee currently consists of Messrs. Botha and Viniar and Drs. Patterson and Summers, with Mr. Viniar serving as Chair. Each of Mr. Viniar and Dr. Patterson will remain on the audit and risk committee until the Annual Meeting. Mr. Deighton will join the audit and risk committee and serve as Chair, effective at the Annual Meeting.

Each of our current audit and risk committee members and Mr. Deighton meets the requirements for independence for audit committee members under the listing standards of the New York Stock Exchange and SEC rules and regulations. Each member of our audit and risk committee also meets the financial literacy and sophistication requirements of the listing standards of the New York Stock Exchange. In addition, our board of directors has determined that each of Messrs. Botha, Viniar and Deighton is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended (“Regulation S-K”). Our audit and risk committee is, among other things, responsible for the following:

- selecting and hiring a qualified independent registered public accounting firm to audit our financial statements;
- helping to ensure the independence and performance of the independent registered public accounting firm;
- reviewing our financial statements and discussing the scope and results of the independent audit and quarterly reviews with the independent registered public accounting firm, and reviewing, with management and the independent registered public accounting firm, our interim and year-end results of operations and the reports and certifications regarding internal controls over financial reporting and disclosure controls;
- preparing, reviewing and approving the audit and risk committee report that the SEC requires to be included in our annual proxy statement;
- reviewing the adequacy and effectiveness of our disclosure controls and procedures, and developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing our program and policies on risk assessment and risk management, including risks associated with data privacy and cybersecurity;
- reviewing and overseeing related party transactions for which review or oversight is required by applicable law or required to be disclosed in our financial statements or SEC filings; and
- approving or, as required, pre-approving, all audit and all permissible non-audit services and fees to be performed by the independent registered public accounting firm.

Our audit and risk committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the New York Stock Exchange. A

copy of the charter of our audit and risk committee is available on our investor relations website at <https://investors.block.xyz>. During 2021, our audit and risk committee held five meetings.

Compensation Committee

Our compensation committee consists of Mses. Meeker and Rothstein and Messrs. Botha and Deighton, with Ms. Meeker serving as Chair. Ms. Rothstein was appointed to the compensation committee effective April 20, 2022. Each of our compensation committee members meets the requirements for independence for compensation committee members under the listing standards of the New York Stock Exchange and SEC rules and regulations, including Rule 10C-1 under the Exchange Act. Each of Mses. Meeker and Rothstein and Mr. Deighton is also a “non-employee director,” as defined pursuant to Rule 16b-3 promulgated under the Exchange Act. Our compensation committee is, among other things, responsible for the following:

- reviewing, approving and determining, or making recommendations to our board of directors regarding, the compensation of our executive officers;
- overseeing our overall compensation philosophy and compensation policies, plans and benefits programs, including those for our executive officers;
- administering our equity compensation plans; and
- reviewing, approving and making recommendations to our board of directors regarding incentive compensation and equity compensation plans.

Our compensation committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the New York Stock Exchange. A copy of the charter of our compensation committee is available on our investor relations website at <https://investors.block.xyz>. During 2021, our compensation committee held five meetings.

Our compensation committee may delegate its authority and duties as it deems appropriate in accordance with applicable laws and regulations. Our compensation committee has delegated authority to our management equity committee, which during 2021 consisted of our Block Head and People Lead, to make equity grants within predetermined guidelines to employees and consultants who are not our Section 16 officers or members of our management equity committee. In addition, our compensation committee has a subcommittee comprised entirely of members of the compensation committee that meet the requirements of a “non-employee director,” as such term is used at the beginning of this section. This subcommittee has the nonexclusive authority to grant equity and other awards under our compensation plans that comply with Section 16 of the Exchange Act, to the extent applicable.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee currently consists of Ms. Brooks and Messrs. Garutti, Viniar and Walker, with Mr. Garutti serving as Chair. Mr. Viniar will remain on the nominating and corporate governance committee until the Annual Meeting.

Each of our nominating and corporate governance committee members meets the requirements for independence under the listing standards of the New York Stock Exchange and SEC rules and regulations. Our nominating and corporate governance committee is, among other things, responsible for the following:

- identifying, evaluating and making recommendations to our board of directors regarding nominees for election to our board of directors and its committees;

- evaluating the performance of our board of directors, individual directors and our Block Head;
- considering and making recommendations to our board of directors regarding the composition of our board of directors and its committees;
- overseeing, reviewing and making recommendations to our board of directors regarding our corporate governance practices, including our Corporate Governance Guidelines;
- overseeing the Company's process for stockholder communications with the board of directors;
- overseeing our commitment to inclusion and diversity ("I&D"), including our I&D policies and programs, and conducting a periodic review of our I&D efforts with our People Lead and Inclusion and Diversity Lead;
- providing oversight of our commitment to environmental, social, and governance ("ESG") programming and corporate responsibility initiatives, with periodic review of our ESG efforts with our Chief Financial Officer and Global ESG Lead;
- reviewing and monitoring compliance with our Code of Business Conduct and Ethics and other actual and potential conflicts of interest, other than transactions with related parties reviewed by the audit and risk committee; and
- reviewing the succession planning for our Block Head, as well as each of our other members of our executive management team.

Our nominating and corporate governance committee operates under a written charter that satisfies the applicable listing standards of the New York Stock Exchange. A copy of the charter of our nominating and corporate governance committee is available on our investor relations website at <https://investors.block.xyz>. During 2021, our nominating and corporate governance committee held four meetings.

Compensation Committee Interlocks and Insider Participation

None of the current members of our compensation committee, or any member that served during the past fiscal year, is or has been an officer or employee of our Company. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our compensation committee. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our board of directors.

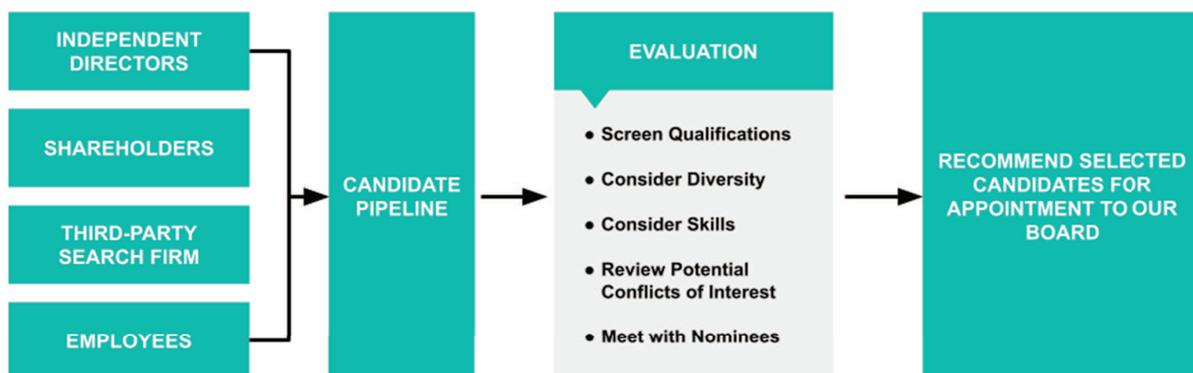
Considerations in Evaluating Director Nominees

Our nominating and corporate governance committee uses a variety of methods for identifying and evaluating director nominees, including retaining a third-party executive search firm from time to time to identify and review candidates for membership on our board of directors. In its evaluation of director candidates, our nominating and corporate governance committee will

consider the current size and composition, organization and governance of our board of directors and the needs of our board of directors and the respective committees of our board of directors. Some of the qualifications that our nominating and corporate governance committee considers include, without limitation:

- *Issues of character, integrity and judgment:* Nominees must have the highest personal and professional ethics.
- *Diversity:* Although our board of directors does not have specific requirements with respect to board diversity, it believes that our board should be diverse, including with respect to factors such as gender, race, ethnicity and experience. Further, our nominating and corporate governance committee has adopted a practice for open director positions which is similar to our RISE (Remarkable Interview Slate Enforcement) program, which we use for employee recruiting. RISE aims at ensuring we are consistently considering diverse slates of candidates by committing to interviewing at least one underrepresented minority or woman of any race/ethnicity for open positions in the U.S.
- *Area of expertise:* Nominees must also have the ability to offer advice and guidance to our Block Head and other members of management based on proven achievement and leadership in the companies or institutions with which they are, or have been, affiliated.
- *Potential conflicts of interest and other commitments:* Director candidates must understand the fiduciary responsibilities that are required of a member of our board of directors and have sufficient time available in the judgment of our nominating and corporate governance committee to perform all board of director and committee responsibilities. Members of our board of directors are expected to prepare for, attend and participate in all board of director and applicable committee meetings.
- *Other individual qualities and attributes:* Our nominating and corporate governance committee may also consider such other factors as it may deem, from time to time, are in our and our stockholders' best interests.

After completing its review and evaluation of director candidates, our nominating and corporate governance committee recommends to our full board of directors the director nominees for selection. While factors relating to diversity were considered for our current directors, no single factor was determinative with respect to any of our current directors.



Stockholder Recommendations and Nominations to the Board of Directors

Our nominating and corporate governance committee will consider director candidates recommended by stockholders holding the lesser of: (i) \$2,000 in market value or (ii) one percent (1%) on a fully diluted basis of the Company's securities continuously for at least twelve (12) months prior to the date of the submission of the recommendation, so long as such recommendations comply with our amended and restated certificate of incorporation, amended and restated bylaws and applicable laws, rules and regulations, including those promulgated by the SEC. Our nominating and corporate governance committee will evaluate such recommendations in accordance with its charter, our amended and restated bylaws and our policies and procedures for director candidates, as well as the director nominee criteria described above that is applicable to all director candidates. This process is designed to ensure that our board of directors includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business. Eligible stockholders wishing to recommend a candidate for nomination should contact our Chief Legal Officer or legal department in writing. Such recommendations must include information about the candidate, a statement of support by the recommending stockholder, evidence of the recommending stockholder's ownership of our capital stock, a signed letter from the candidate confirming willingness to serve on our board of directors and any additional information required by our amended and restated bylaws. Our nominating and corporate governance committee has discretion to decide which individuals to recommend for nomination as directors.

Under our amended and restated bylaws, stockholders may also directly nominate persons for our board of directors. Any nomination must comply with the requirements set forth in our amended and restated bylaws and should be sent in writing to our Corporate Secretary at Block, Inc., 1455 Market Street, Suite 600, San Francisco, California 94103. To be timely for the 2023 annual meeting of stockholders, our Corporate Secretary must receive the nomination no earlier than the close of business on February 14, 2023 and no later than the close of business on March 16, 2023, or in the event that we hold the 2023 annual meeting of stockholders more than 30 days before or more than 60 days after the one-year anniversary of the Annual Meeting, no earlier than the close of business on the 120th day before the 2023 annual meeting of stockholders and no later than the close of business on the later of either (i) the 90th day prior to the 2023 annual meeting of stockholders or (ii) the 10th day following the day on which public announcement of the date of the 2023 annual meeting of stockholders is first made if such first public announcement is less than 100 days prior to the date of the 2023 annual meeting of stockholders.

Communications with the Board of Directors

Interested parties wishing to communicate with our board of directors or with an individual member or members of our board of directors may do so by writing to our board of directors or to the particular member or members of our board of directors, and mailing the correspondence to our Chief Legal Officer at Block, Inc., 1455 Market Street, Suite 600, San Francisco, California 94103. Each communication should set forth (i) the name and address of the stockholder, as it appears on our books, and if the shares of our common stock are held by a nominee, the name and address of the beneficial owner of such shares, and (ii) the class and number of shares of our common stock that are owned of record by the record holder and beneficially by the beneficial owner.

Our Chief Legal Officer or legal department, in consultation with appropriate members of our board of directors as necessary, will review all incoming communications and, if appropriate, such communications will be forwarded to the appropriate member or members of our board of directors, or if none is specified, to the Chairperson of our board of directors or the Lead Independent Director if the Chairperson of our board of directors is not independent.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Our board of directors has adopted Corporate Governance Guidelines that address items such as the qualifications and responsibilities of our directors and director candidates, including independence standards and corporate governance policies and standards applicable to us in general. In addition, our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including our Block Head, Chief Financial Officer and other executive and senior financial officers. The full text of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics is posted on our investor relations website at <https://investors.block.xyz>. We will post amendments to our Corporate Governance Guidelines and our Code of Business Conduct and Ethics or any waivers of our Code of Business Conduct and Ethics for directors and executive officers on the same website.

Risk Management

Our board of directors recognizes the oversight of risk management as one of its primary responsibilities and central to maintaining an effective, risk aware and accountable organization. The oversight responsibility of our board of directors and its committees is enabled by management reporting processes that are designed to provide visibility to our board of directors regarding the identification, assessment and management of risks and management's strategic approach to risk mitigation. Our Lead Independent Director and Chair of our audit and risk committee meets with our Internal Audit Lead, Chief Financial Officer, Chief Compliance Officer and Chief Legal Officer on a regular cadence to identify and discuss risks and exposures and escalates potential issues to our audit and risk committee or board of directors, as appropriate.

As part of our overall risk management process, we conduct an Enterprise Risk Assessment ("ERA") on an annual basis, which is shared and discussed with our board of directors. The oversight of the ERA is supported and enabled by our audit and risk committee. In addition, our board of directors' responsibilities related to oversight of the ERA framework include a routine evaluation of the processes, as well as discussions with key management and representatives of outside advisors as appropriate, used to identify, assess, monitor and report on risks across the organization and the setting and communication of the organization's implementation and measurement of risk tolerances, limits and mitigation. These primary risk focus areas are defined by the board of directors, management and leaders of our ERA review as strategic, operational, people, financial and compliance and consist of risks such as cybersecurity, financial reporting and competition.

While our board of directors maintains ultimate responsibility for the oversight of risk, it has implemented a multi-layered approach which delegates certain responsibilities to the appropriate board committees to ensure that these primary areas of focus are thoroughly discussed and that a pervasive understanding of such focus areas is obtained. Our board of directors and its committees oversee risks associated with their respective areas of responsibility, as summarized below. Each board committee meets in executive session with key management personnel and representatives of outside advisors as required or requested. Our board of directors may delegate additional risk areas in the future.

Board/ Committee	Primary Areas of Risk Oversight
Full Board of Directors	Strategic, financial and execution risks and exposures associated with our business strategy, policy matters, succession planning, conflicts of interest, significant litigation and regulatory exposures and other current matters that may present material risk to our

Board/ Committee	Primary Areas of Risk Oversight
	financial performance, operations, infrastructure, plans, prospects or reputation, acquisitions and divestitures and our operational infrastructure.
Audit and Risk Committee	Risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure controls and procedures, internal control over financial reporting, investment guidelines and credit and liquidity matters, our programs and policies relating to legal and regulatory compliance, data privacy, data security, cybersecurity and operational security and reliability, as well as matters of risk related to Square Financial Services.
Nominating and Corporate Governance Committee	Risks and exposures associated with director and executive succession planning, environmental, social, corporate governance, inclusion and diversity, and corporate responsibility matters and overall board and committee effectiveness and composition.
Compensation Committee	Risks and exposures associated with leadership assessment, retention and succession, executive compensation programs and arrangements and our compensation philosophy and practices.

Board's Role in Data Privacy and Cybersecurity Oversight

Our board of directors is committed to mitigating data privacy and cybersecurity risks and recognizes the importance of these issues as part of our risk management framework. While the board of directors maintains ultimate responsibility for the oversight of our data privacy and cybersecurity program and risks, it has delegated certain responsibilities to our audit and risk committee. This committee-level focus on data privacy and cybersecurity allows the board to further enhance its understanding of these issues. The audit and risk committee assists the board of directors in its oversight of our data privacy and cybersecurity needs by staying apprised of our data privacy and information security programs, strategy, policies, standards, architecture, processes and material risks, and overseeing responses to security and data incidents.

Our board of directors and audit and risk committee's principal role is one of oversight, recognizing that management is responsible for the design, implementation and maintenance of an effective program for protecting against and mitigating data privacy and cybersecurity risks. The full board of directors undergoes annual information security and privacy training by our Chief Information Security Officer and our Chief Privacy Officer, which covers board oversight obligations and the privacy and security programs in place at Block. Our audit and risk committee receives updates, at least quarterly, on material data privacy and security risks, including any material incidents, relevant industry developments, threat vectors and material risks identified in periodic penetration tests or vulnerability scans. The committee's updates also include material legal and legislative developments concerning data privacy and security, Block's approach to complying with applicable law and material engagement with regulators concerning data privacy and cybersecurity. Members of the board of directors stay apprised of the rapidly evolving cyber threat landscape and provide guidance to management as appropriate in order to address the effectiveness of our overall data privacy and cybersecurity program.

ESG and Corporate Responsibility

Our nominating and corporate governance committee oversees Block's corporate responsibility initiatives. We believe that as a company with a diverse ecosystem of products and services, Block has a tremendous opportunity to empower businesses, artists, and individuals to participate in the economy, as well as to operate a responsible and sustainable business while fostering an inclusive environment for its employees, customers, communities, and shareholders. We are committed to managing the risks and opportunities that arise from ESG issues and maintaining our strong focus on sustainability. During 2021, we met with eleven of our top investors to review Block's ESG initiatives. We discussed a wide variety of topics, including progress tracking of initiatives, metrics disclosure, how investors use ESG ratings, incentive compensation, data security and privacy, our governance structure and board refreshment.

Block takes an integrated approach to managing ESG performance and disclosure:

- *Functional Leadership:* Corporate responsibility is managed at a functional level across each of Block's teams, with responsibility for oversight rolling up to our senior executives.
- *Operational Leadership:* Block has formed a cross-functional working group from multiple business areas that serves as the central coordinating body for Block's corporate responsibility efforts. This team is led by an ESG Lead who oversees the broader ESG program, connects key stakeholders across the Company, and reports up to senior leadership and the nominating and corporate governance committee.
- *Board Oversight:* Our nominating and corporate governance committee is responsible for overseeing ESG and corporate responsibility matters of significance to Block and receives periodic reports on these matters from our ESG Lead. The nominating and corporate governance committee also receives periodic I&D reports from our People Lead and Inclusion and Diversity Lead.
- *Corporate Social Responsibility Report:* In March 2022, we released our 2021 Corporate Social Responsibility Report ("CSR Report"), which was prepared to highlight information regarding our ESG programs. The CSR Report provides an overview of Block's global operations with a focus on the four key priority areas discussed below. Our CSR Report can be found on our investor relations website at <https://investors.block.xyz>.

Key areas of focus for Block's ESG strategy are:

- *Climate Action:* We continue to plan for increased efficiencies across our entire value chain. To strengthen this ongoing effort, in 2021 we conducted our yearly comprehensive global carbon audit across our business units, supply chain and key emission categories, providing us with data to drive meaningful reductions in our internal emissions while informing our goal to reach net zero carbon for operations by 2030. 2021 marked our climate action program's first full year of implementation. Within our first year, we funded our first carbon removal portfolio, secured our first renewable energy certificates to address our workplace footprint and announced our first bitcoin clean energy investment to help accelerate the adoption of clean energy in bitcoin mining. To provide greater transparency, we also submitted for the first time our climate risk and opportunity data to the Carbon Disclosure Project (CDP) as well as to the Sustainability Accounting Standards Board (SASB).
- *Social Impact:* We are continuing to drive financial inclusion and community and small business advocacy. In 2020, we pledged \$100 million towards minority and underserved communities, of which \$75 million was allocated in 2020, and in continuation of that, in 2021 we allocated the remaining \$25 million of this investment. This includes a \$10 million

investment in the Entrepreneurs of Color Fund, a program designed to provide much-needed capital and operational support directly into the hands of Black, Latinx and other small business owners, and another \$10 million allocation to various organizations dedicated to underserved communities. We also committed to \$5 million in grants from our new Bitcoin Endowment, which selected Black Bitcoin Billionaire, an organization working to on-ramp the Black community into bitcoin and create education focused on building wealth, as its first recipient. During 2021, we continued to provide small businesses with access to capital by facilitating a total of 72,500 second round Paycheck Protection Program (PPP) loans as our sellers continue to navigate through the impacts of COVID-19. Cash App was also well positioned to help individuals efficiently access, deposit and use stimulus funds distributed by the government.

- *Employees and Culture:* We are working to build a thriving, inclusive and healthy workplace. As reported in our 2021 Workforce Data Report on our I&D blog, Block employees were 42% women and 24% underrepresented minorities (“URM”). In an effort to meet our aspirational benchmark target of 50% women and 30% URM, which is on par with U.S. census data, we are continuing to implement meaningful programming and deepening our partnerships with organizations such as AfroTech, Lesbians WhoTech and Allies, /dev/color, Society of Hispanic Professional Engineers, Rewriting the Code, American Indian Science Engineering Society and a number of Historically Black Colleges and Universities.
- *Corporate Governance:* In 2021, we continued corporate governance practices that we believe promote long-term value, engender public trust and serve the best interest of our stockholders, sellers, customers and other stakeholders. Some highlights of our corporate governance practices are our lead independent director role with a comprehensive scope of responsibilities, annual review of our corporate governance policies and charters, robust process for developing a pipeline for potential director candidates, strong risk oversight controls by the full board and committees and significant stock ownership requirements for directors and executive officers. During 2021, we also made changes to our corporate governance policies and practices, which included, among other things, requiring that our Lead Independent Director approves agendas for regularly scheduled board meetings and limiting the number of public company boards directors who serve as chief executive officers of public companies can serve on to a total of three public company boards, including Block’s, unless they receive approval from our board of directors.

Director Compensation

Pursuant to our Outside Director Compensation Policy, our non-employee directors will receive compensation in the form of equity granted under the terms of our 2015 Equity Incentive Plan, as amended and restated (the “2015 Plan”), and cash, as described below. Our 2015 Plan contains maximum limits on the size of the equity awards that can be granted to each of our non-employee directors in any fiscal year, but those maximum limits do not reflect the intended size of any potential grants or a commitment to make any equity award grants to our non-employee directors in the future. The only commitment to make equity award grants to our non-employee directors is under our Outside Director Compensation Policy, as it may be amended from time to time. The maximum limits under our 2015 Plan provide that no non-employee director may be granted, in any fiscal year, equity awards having a grant date fair value (determined in accordance with generally accepted accounting principles (“GAAP”)) of more than \$1 million, provided, that, the limit is \$2 million in connection with the director’s initial service as a non-employee director. Equity awards granted to an individual while they were an employee or a consultant, but not a non-employee director, do not count for purposes of these limits.

Our compensation committee periodically reviews our Outside Director Compensation Policy, including review of competitive practices provided by Compensia, Inc., an independent compensation consulting firm (“Compensia”). In 2021, based on data provided by Compensia, our average total direct compensation per director (including annual cash retainer and equity awards) approximated the 28th percentile amongst our compensation peer group identified below in the section titled “Executive Compensation—Compensation-Setting Process—Competitive Positioning.”

Equity Compensation.

Initial Award. Subject to any limits in our 2015 Plan, each person who first becomes a non-employee director will receive an initial grant of restricted stock units (“RSUs”) on the date of their appointment having a grant date fair value (determined in accordance with GAAP) equal to \$250,000 multiplied by a fraction (i) the numerator of which is (x) 12 minus (y) the number of months between the date of the last annual meeting of stockholders and the date the non-employee director becomes a member of our board of directors and (ii) the denominator of which is 12. However, if a person first becomes a non-employee director on the day of an annual meeting of stockholders, they will receive an annual award (described below) on such date, but will not receive an initial award. The shares of our Class A common stock underlying the RSUs vest in full upon the earlier of (i) the first anniversary of the grant date or (ii) the date of the next annual meeting of stockholders, in each case subject to continued service through the vesting date.

Annual Award. On the date of each annual meeting of stockholders, and subject to any limits in our 2015 Plan, each of our non-employee directors is granted RSUs having a grant date fair value (determined in accordance with GAAP) equal to \$250,000. The shares of our Class A common stock underlying the RSUs vest in full upon the earlier of (i) the first anniversary of the grant date or (ii) on the date of the next annual meeting of stockholders, in each case subject to continued service through the vesting date.

Our Lead Independent Director receives an annual grant of RSUs, in addition to the annual grant provided to all non-employee directors, on the date of each annual meeting of stockholders having a grant date fair value (determined in accordance with GAAP) of \$70,000, subject to any limits in our 2015 Plan. The shares of our Class A common stock underlying the RSUs vest in full upon the earlier of (i) the first anniversary of the grant date or (ii) the date of the next annual meeting of stockholders, in each case subject to continued service through the vesting date.

The awards granted to a non-employee director under our Outside Director Compensation Policy will become fully vested upon a “change in control” as defined in our 2015 Plan.

Cash Compensation. Each of our non-employee directors receives an annual cash retainer of \$40,000 for serving on our board of directors. In addition, each year, non-employee directors are eligible to receive the following cash fees for service on the committees of our board of directors.

<u>Board Committee</u>	<u>Chair Fee</u>	<u>Member Fee</u>
Audit and Risk Committee	\$ 20,000	\$ 10,000
Compensation Committee	\$ 15,000	\$ 5,000
Nominating and Corporate Governance Committee	\$ 10,000	\$ 2,500
Capital Compliance and Governance Committee(1)	\$ 15,000	\$ 5,000

(1) Our board of directors dissolved the capital compliance and governance committee in April 2021; accordingly, committee members were paid a prorated fee for their service in 2021.

Subject to any limits under our 2015 Plan, each non-employee director may elect to convert any cash compensation that they would otherwise be entitled to receive under our Outside Director Compensation Policy into an award of RSUs under our 2015 Plan. If the non-employee director makes this election in accordance with the policy, each such award of RSUs will be granted on the first business day following the last day of the fiscal quarter for which the cash compensation otherwise would be paid under the policy, will be fully vested on the grant date and will cover a number of shares equal to (A) the aggregate amount of cash compensation otherwise payable to the non-employee director on that date divided by (B) the closing price per share as of the last day of the fiscal quarter for which the grant relates.

2021 Compensation

The following table provides information regarding the total compensation that was earned by each of our non-employee directors in 2021.

The amounts under the “Stock Awards” column represent the aggregate of initial or annual equity compensation provided under the Outside Director Compensation Policy, and equity grants made in lieu of cash compensation, each as detailed in footnotes 2 and 3, respectively. The aggregate number of stock awards and option awards outstanding at December 31, 2021 are included in footnotes 3 and 6 below.

Director	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)(2)(3)	Other Compensation (\$)	Total (\$)
Roelof Botha	—	304,729	—	304,729
Amy Brooks	—	291,943	—	291,943
Shawn Carter	—	286,527	—	286,527
Paul Deighton	49,904	249,842	3,263(4)	303,009
Randy Garutti	50,000	249,842	—	299,842
James McKelvey	—	289,619	—	289,619
Mary Meeker	—	304,729	—	304,729
Anna Patterson	—	302,565	—	302,565
Sharon Rothstein(5)	—	—	—	—
Lawrence Summers	50,000	249,842	—	299,842
David Viniar(6)	—	382,102	—	382,102
Darren Walker	—	295,131	—	295,131

- (1) The amounts included in the “Stock Awards” column represent the aggregate grant date fair value of RSU awards calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC 718”). The amount does not necessarily correspond to the actual value recognized by the non-employee director. The valuation assumptions used in determining such amounts are described in the “Share-based Compensation” section of and the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.
- (2) The amounts included in the “Stock Awards” column represent the annual awards or initial awards of RSUs, as applicable, granted to our non-employee directors in 2021. Each of our

non-employee directors (other than Mr. Viniar) received a grant of 1,097 RSUs on June 15, 2021 with a grant date fair value of \$249,842. Mr. Viniar received a grant of 1,404 RSUs on June 15, 2021 with a grant date fair value of \$319,761. Each of these RSU awards vest and settle on the earlier of the first anniversary of the grant date or the date of our Annual Meeting, subject to the director's continued service through the vesting date. In addition, Mr. Carter received a grant of 93 RSUs on May 6, 2021 (his appointment date) with a grant date fair value of \$20,828 which vested and settled on June 15, 2021.

- (3) The amounts included in the "Stock Awards" column representing the awards of RSUs granted to our non-employee directors in lieu of cash retainers in 2021 are described below. Each of these awards vested and settled in full on the grant date.

Name	Grant Date	Number of RSUs Granted	Grant Date Fair Value (\$)	Total Cash Retainer Forgone (\$)
Roelof Botha	January 4, 2021	63	13,933	13,750
	April 1, 2021	60	13,771	13,750
	July 1, 2021	56	13,544	13,750
	October 1, 2021	57	13,640	13,750
Amy Brooks	January 4, 2021	48	10,616	10,625
	April 1, 2021	46	10,557	10,625
	July 1, 2021	43	10,400	10,625
	October 1, 2021	44	10,529	10,625
Shawn Carter	July 1, 2021	25	6,046	6,154
	October 1, 2021	41	9,811	10,000
Jim McKelvey	January 4, 2021	45	9,952	10,000
	April 1, 2021	44	10,098	10,000
	July 1, 2021	41	9,916	10,000
	October 1, 2021	41	9,811	10,000
Mary Meeker	January 4, 2021	63	13,933	13,750
	April 1, 2021	60	13,771	13,750
	July 1, 2021	56	13,544	13,750
	October 1, 2021	57	13,640	13,750
Anna Patterson	January 4, 2021	63	13,933	13,750
	April 1, 2021	60	13,771	13,750
	July 1, 2021	52	12,576	12,885
	October 1, 2021	52	12,443	12,500
David Viniar	January 4, 2021	71	15,702	15,625
	April 1, 2021	68	15,607	15,625
	July 1, 2021	64	15,478	15,625
	October 1, 2021	65	15,554	15,625
Darren Walker	January 4, 2021	54	11,943	11,875
	April 1, 2021	52	11,935	11,875
	July 1, 2021	45	10,883	11,010
	October 1, 2021	44	10,529	10,625

- (4) Includes the amount of the tax gross-up made to provide tax neutrality on amounts of regular compensation that was allocated solely for U.K. purposes toward Lord Deighton's service on the boards of directors of two of the Company's U.K. subsidiaries.

- (5) Ms. Rothstein was appointed as a member of our board of directors on January 31, 2022 and therefore did not receive any compensation in 2021.
- (6) As of December 31, 2021, Mr. Viniar also held a fully vested option to purchase 226,950 shares of our Class B common stock.

Directors may be reimbursed for their reasonable expenses for attending board and committee meetings. Directors who are also our employees receive no additional compensation for their service as directors. During 2021, only Mr. Dorsey was an employee. See the section titled “Executive Compensation” for additional information about his compensation.

Stock Ownership Guidelines

Our board of directors has adopted stock ownership guidelines to ensure ongoing alignment of the interests of our directors and executive officers with the long-term interests of our stockholders. Our guidelines require that (i) each non-employee director own a number of shares of our common stock with a value equal to at least five times their annual cash retainer, (ii) each executive officer (other than the Block Head) own a number of shares of our common stock with a value equal to at least three times their annual base salary and (iii) the Block Head own a number of shares of our common stock with a value equal to at least the greater of (x) five times their annual base salary and (y) \$2 million. Each non-employee director and executive officer is required to comply with our stock ownership guidelines by the later of April 30, 2022 or five years from their promotion or hiring as an executive officer or election to our board of directors. Until a non-employee director or executive officer has satisfied their applicable level of ownership, they are required to retain an amount equal to fifty percent (50%) of the net shares received from any new equity award granted after the adoption of the guidelines. As of December 31, 2021, all of our non-employee directors and executive officers had met or were on track to comply with these stock ownership guidelines within the applicable time periods.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

In accordance with our amended and restated certificate of incorporation, our board of directors is divided into three staggered classes of directors. Mr. Viniar and Dr. Patterson who are each Class I directors have informed the Company that they will not stand for re-election at the Annual Meeting. Their decision to not stand for re-election was not a result of any disagreements with the Company on any matter relating to the Company's operations, policies or practices. Their term as directors will end when their current term as Class I directors expires at the Annual Meeting. Concurrent with the Annual Meeting, the size of the board of directors will decrease from 13 directors to 11 directors. As such, the remaining two Class I directors, Messrs. Dorsey and Deighton, will stand for election for a three-year term.

Each director's term continues until the election and qualification of their successor, or such director's earlier death, resignation or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in the control of our Company.

Nominees

Our nominating and corporate governance committee has recommended, and our board of directors has approved, Jack Dorsey and Paul Deighton as nominees for election as Class I directors at the Annual Meeting. If elected, each of Messrs. Dorsey and Deighton will serve as Class I directors until the 2025 annual meeting of stockholders and until their successors are duly elected and qualified. Each of the nominees is currently a director of our Company. For information concerning the nominees, please see the section titled "Board of Directors and Corporate Governance."

If you are a stockholder of record and you sign your proxy card or vote by telephone or over the Internet but do not give instructions with respect to the voting of directors, your shares will be voted "FOR" the election of Messrs. Dorsey and Deighton. We expect that Messrs. Dorsey and Deighton will each agree to serve as a director; however, in the event that a director nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee designated by our board of directors to fill such vacancy. If you are a street name stockholder and you do not give voting instructions to your broker or nominee, your broker will leave your shares unvoted on this matter.

Vote Required

The election of directors requires a plurality of the voting power of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon to be approved. Broker non-votes will have no effect on this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES NAMED ABOVE.

PROPOSAL NO. 2
ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), enables our stockholders to approve, on an advisory or non-binding basis, the compensation of our named executive officers as disclosed pursuant to Section 14A of the Exchange Act. This proposal, commonly known as a “Say-on-Pay” proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation. This vote is not intended to address any specific item of compensation or any specific named executive officer, but rather the overall compensation of all of our named executive officers and the philosophy, policies and practices described in this proxy statement. We currently hold our Say-on-Pay vote every year.

The Say-on-Pay vote is advisory, and therefore is not binding on us, our compensation committee or our board of directors. The Say-on-Pay vote will, however, provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which our compensation committee will consider when determining executive compensation for the remainder of the current fiscal year and beyond. Our board of directors and our compensation committee value the opinions of our stockholders. To the extent there is any significant vote against the compensation of our named executive officers as disclosed in this proxy statement, we will endeavor to communicate with stockholders to better understand the concerns that influenced the vote and consider our stockholders’ concerns, and our compensation committee will evaluate whether any actions are necessary to address those concerns.

We believe that the information provided in the section titled “Executive Compensation,” and in particular the information discussed in the section titled “Executive Compensation— Compensation Philosophy,” demonstrates that our executive compensation program was designed appropriately and is working to ensure management’s interests are aligned with our stockholders’ interests to support long-term value creation. Accordingly, we ask our stockholders to vote “FOR” the following resolution at the Annual Meeting:

“RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to our named executive officers, as disclosed in the proxy statement for the Annual Meeting pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and narrative discussion and other related disclosure.”

Vote Required

The approval, on an advisory basis, of the compensation of our named executive officers requires the affirmative vote of a majority of the voting power of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon to be approved. Abstentions will have the effect of a vote against this proposal, and broker non-votes will have no effect.

As an advisory vote, the result of this proposal is non-binding. Although the vote is non-binding, our board of directors and our compensation committee value the opinions of our stockholders and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

PROPOSAL NO. 3
ADVISORY VOTE ON THE FREQUENCY OF FUTURE STOCKHOLDER ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Dodd-Frank Act and Section 14A of the Exchange Act enable our stockholders to indicate their preference at least once every six years regarding how frequently we should solicit a non-binding advisory vote on the compensation of our named executive officers as disclosed in our proxy statement. Accordingly, we are asking our stockholders to indicate whether they would prefer an advisory vote every one year, two years or three years. Alternatively, stockholders may abstain from casting a vote.

After considering the benefits and consequences of each alternative, our board of directors recommends that the advisory vote on the compensation of our named executive officers be submitted to the stockholders every year. In formulating its recommendation, our board of directors considered that compensation decisions are made annually and that an annual advisory vote on the compensation of our named executive officers will allow stockholders to provide more frequent and direct input on our compensation philosophy, policies and practices.

Vote Required

The alternative among one year, two years or three years that receives the highest number of votes from the holders of shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon will be deemed to be the frequency preferred by our stockholders. Abstentions and broker non-votes will have no effect on this proposal.

While our board of directors believes that its recommendation is appropriate at this time, the stockholders are not voting to approve or disapprove that recommendation, but are instead asked to indicate their preference, on an advisory basis, as to whether non-binding future stockholder advisory votes on the compensation of our named executive officers should be held every year, two years or three years.

Our board of directors and our compensation committee value the opinions of our stockholders in this matter and, to the extent there is any significant vote in favor of one time period over another, will take into account the outcome of this vote when making future decisions regarding the frequency of holding future stockholder advisory votes on the compensation of our named executive officers. However, because this is an advisory vote and therefore not binding on our board of directors or our company, our board of directors may decide that it is in the best interests of our stockholders that we hold an advisory vote on the compensation of our named executive officers more or less frequently than the option preferred by our stockholders. The results of the vote will not be construed to create or imply any change or addition to the fiduciary duties of our board of directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE TO HOLD FUTURE STOCKHOLDER ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS EVERY "ONE YEAR".

**PROPOSAL NO. 4
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our audit and risk committee has appointed Ernst & Young LLP (“EY”) as our independent registered public accounting firm to audit our consolidated financial statements for our fiscal year ending December 31, 2022. During our fiscal year ended December 31, 2021, EY served as our independent registered public accounting firm.

Notwithstanding the appointment of EY, and even if our stockholders ratify the appointment, our audit and risk committee, in its discretion, may appoint another independent registered public accounting firm at any time during our fiscal year if our audit and risk committee believes that such a change would be in the best interests of our company and our stockholders. At the Annual Meeting, our stockholders are being asked to ratify the appointment of EY as our independent registered public accounting firm for our fiscal year ending December 31, 2022. Although not required by applicable law or listing rules, our audit and risk committee is submitting the appointment of EY to our stockholders because we value our stockholders’ views on our independent registered public accounting firm and as a matter of good corporate governance. Representatives of EY will be present at the Annual Meeting, and they will have an opportunity to make a statement and will be available to respond to appropriate questions from our stockholders.

If our stockholders do not ratify the appointment of EY, our audit and risk committee may reconsider the appointment.

Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees for professional audit services and other services rendered to our company by EY for our fiscal years ended December 31, 2020 and December 31, 2021, respectively.

	<u>2020</u>	<u>2021</u>
	(In Thousands)	
Audit Fees(1)	\$ 5,112	\$ 7,742
Audit-Related Fees(2)	—	—
Tax Fees(3)	36	152
All Other Fees(4)	5	5
Total Fees	<u>\$ 5,153</u>	<u>\$ 7,899</u>

- (1) Audit Fees consist of professional services rendered in connection with the audit of our annual consolidated financial statements, including audited financial statements presented in our Annual Report on Form 10-K for the fiscal years ended December 31, 2020 and 2021 and services that are normally provided by the independent registered public accountants in connection with statutory and regulatory filings or engagements for those fiscal years.
- (2) Audit-Related Fees consist of fees for professional services for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated

financial statements and are not reported under “Audit Fees.” These services could include accounting consultations concerning financial accounting and reporting standards, due diligence procedures in connection with acquisition and procedures related to other attestation services.

- (3) Tax Fees consist of fees for professional services for tax compliance, tax advice and tax planning. These services include consultation on tax matters and assistance regarding federal, state and international tax compliance.
- (4) All Other Fees consist of license fees for the use of accounting research software.

Auditor Independence

In our fiscal year ended December 31, 2021, there were no other professional services provided by EY, other than those listed above, that would have required our audit and risk committee to consider their compatibility with maintaining the independence of EY.

Audit and Risk Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Our audit and risk committee has established a policy governing our use of the services of our independent registered public accounting firm. Under this policy, our audit and risk committee is required to pre-approve all audit, internal control-related services and permissible non-audit services performed by our independent registered public accounting firm in order to ensure that the provision of such services does not impair the public accountants’ independence. All services provided by EY for our fiscal year ended December 31, 2021 were pre-approved by our audit and risk committee pursuant to this policy.

Vote Required

The ratification of the appointment of EY as our independent registered public accounting firm for our fiscal year ending December 31, 2022 requires the affirmative vote of a majority of the voting power of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions will have the effect of a vote against this proposal, and broker non-votes will have no effect.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

**PROPOSAL NO. 5
STOCKHOLDER PROPOSAL REGARDING
A CHANGE IN STOCKHOLDER VOTING**

We have been notified that NorthStar Asset Management, Inc. Funded Pension Plan, PO Box 301840, Boston, Massachusetts 02130, which reports that it has been the beneficial owner of shares of our Class A common stock worth at least \$2,000 in market value for at least three years, and intends to present the proposal below for consideration at the Annual Meeting. The proposal and the supporting statement appear below as received by us. We are not responsible for the accuracy or content of the proposal and supporting statement.

Give Each Share an Equal Vote

RESOLVED:

Shareholders request that our Board take all practicable steps in its control to initiate and adopt a recapitalization plan for all outstanding stock to have one vote per share. We recommend that this be done through a phase-out process in which the board would, within seven years or other timeframe justified by the board, establish fair and appropriate mechanisms through which disproportionate rights of Class B shareholders could be eliminated. This is not intended to unnecessarily limit our Board's judgment in crafting the requested change in accordance with applicable laws and existing contracts.

SUPPORTING STATEMENT:

In our company's dual-class voting structure, Class B stock has 10 times the voting rights of Class A. As a result, the co-founders together own less 11% of shares but control over 48% of the shareholder vote. These facts raise concerns that the interests of public shareholders may be subordinated to those of the co-founders.

Shareholders have long been concerned by Mr. Dorsey's growing fascination with cryptocurrency which arguably works against the company's stated purpose of "economic empowerment."

Economist and Senior Fellow at Brookings Institution Eswar Prasad explains that "rather than truly democratizing finance, [innovations like cryptocurrency] may exacerbate inequality. Unequal financial literacy and digital access might result in sophisticated investors garnering the benefits while the less well off, dazzled by new technologies, take on risks they do not fully comprehend."¹ As a speculative investment that "has no intrinsic value and is not backed by anything," the risks of investing in cryptocurrency are particularly high for underserved communities – the same communities the company professes to serve.

The proponent's concerns were solidified when Square announced a name change to Block in December 2021 – an apparent escalation towards cryptocurrency that shareholders had no opportunity to weigh in upon. The proponent believes the insulation of the Block Head and Board of Directors due to the company's multi-class share structure eliminates opportunities for substantive input from shareholders and exacerbates governance risk.

A variety of corporate governance experts illustrate a growing concern about multi-class share structures:

- As of July 2017, the S&P Dow Jones Indices announced that certain indices will no longer add companies with multiple share class structures;

¹ <https://www.brookings.edu/opinions/the-brutal-truth-about-bitcoin/>

- The executive director of the Council of Institutional Investors (CII) has stated that “multi-class structures ... rob shareholders of the power to press for change when something goes wrong” and recommends a seven year phase-out of dual class share offerings;
- The Council of Institutional Investors (CII) recommends a seven-year phase-out of dual class share offerings. The International Corporate Governance Network supports CII’s recommendation “to require to a time-based sunset clause for dual class shares to revert to a traditional one-share/one-vote structure no more than seven years after a company’s IPO date.”
- The Investor Stewardship Group recommends that “shareholders should be entitled to voting rights in proportion to their economic interest” and “boards should have a strong, independent leadership structure.”

Board of Directors’ Recommendation Against and Statement of Opposition to Proposal No. 5

Our board of directors recommends that stockholders vote **AGAINST** this proposal for the following reasons:

- We have demonstrated that our current capital structure enables us to remain focused on our long-term purpose of economic empowerment and avoids the pressure to take actions to appease those who seek short-term gains. We believe that our stockholders invest in our Company with the understanding that our capital structure has contributed to the stability of our Company’s operations and long-term success.
- Our focus on long-term growth has created significant value for our stockholders since our initial public offering. We have achieved a gross profit CAGR of 53% over the past six years.
- Led by our nominating and corporate governance committee, the board reviews our corporate governance, including our capital structure, on an annual basis, and continues to believe that our capital structure best serves the long-term interests of the Company and its stockholders.
- A sunset provision already exists for our current capital structure.
- A strong independent board leadership and equity-based compensation programs ensure that our leadership’s interests are aligned with that of stockholders.

Long-term Purpose and Focus. Our founders, Jack Dorsey and Jim McKelvey, founded Block (formerly Square) with the purpose of economic empowerment more than thirteen years ago. This purpose was a key theme shared with stockholders at the time of our initial public offering (“IPO”), and has continued to inform how our stockholders understand our business. Since our first seller, Lillybelle, processed its first payment in 2009, we have remained committed to empowering our customers to participate and thrive in the economy. Within thirteen years, we have been able to create an overarching ecosystem of many businesses united by their purpose of economic empowerment, which serves many people—individuals, artists, fans, developers, and sellers. With our Square ecosystem, we offer a unified commerce ecosystem that helps our sellers start, run and grow their businesses. We combine software, hardware and financial services to create products and services that are cohesive, fast, self-serve and elegant. With Cash App, we provide an ecosystem of financial products and services to help individuals manage their money. Cash App’s goal is to redefine the world’s relationship with money by making it more relatable, instantly available, and universally accessible. While Cash App started with the sole ability to send and receive money, it now provides an ecosystem of financial services that allows individuals to store,

send, receive, spend and invest their money. With the acquisition of Afterpay, which was completed on January 31, 2022, Block is strengthening and enabling further integration between its Square and Cash App ecosystems and expanding access to more consumers. In 2021, Block acquired a majority ownership stake in TIDAL, the global music and entertainment platform, which extended Block's purpose of economic empowerment to a new vertical: musicians. Block also created a new business, TBD, focused on building an open developer platform to make it easier to access Bitcoin and other blockchain technologies without having to go through an institution.

The change of the Company's name to "Block, Inc.," which was announced on December 1, 2021, was driven by a desire to acknowledge the Company's growth and allow the Seller business to own the Square brand it was built for, and not to shift the Company's purpose. The change to Block simply distinguishes the corporate entity from its businesses, or building blocks, and is an evolution from its original "Square" business. The name has many associated meanings for the company — building blocks, neighborhood blocks and their local businesses, communities coming together at block parties full of music, a blockchain, a section of code, and obstacles to overcome.

Our growth and transformation was facilitated by our current capital structure which has allowed us to prioritize investments in our strategic objectives, some of which may have an impact on short-term profitability but we believe will ultimately be in the best long-term interests of all of our stakeholders, including our stockholders, customers and employees.

Strong Track Record of Stockholder Value Creation. We believe that our Block Head and co-founder, Jack Dorsey, has played a meaningful role in our success and reputation. Through his partnership with our board of directors and senior leadership team, we have grown more than 20x in market capitalization since our initial public offering.² We have achieved a gross profit CAGR³ of 53% over the past six years, scaled to \$153 billion in Gross Payment Volume ("GPV")⁴ in our Square ecosystem in 2021 and more than 44 million monthly transacting actives⁵ in our Cash App ecosystem. We created and scaled the Cash App ecosystem from less than \$1.0 million in gross profit in 2015 to more than \$2.0 billion in gross profit in 2021. We scaled the Square ecosystem from \$345 million gross profit in 2015 to more than \$2.3 billion gross profit in 2021. We have also had more than 150 product launches and expanded our international footprint to new markets for both Cash App and Square since our initial public offering.

In 2021, Cash App was the number one finance app in both the iOS App Store and Google Play, and was the number four app in the iOS App Store and Google Play, respectively, based on downloads in the United States. Cash App has a diverse mix of customers. In the United States, Cash App had transacting actives in each of the 50 states and nearly every county as of December 2021. On the Square side, we processed GPV generated by more than 3 billion card payments from 526 million card payments. At the end of 2021, our Square point of sale ecosystem had more than 261 million buyer profiles and approximately 366 million items were listed on Square by sellers.

² Based on an IPO stock price of \$9.00 and a closing stock price of \$107.71 on April 21, 2022.

³ The compound annual growth rate ("CAGR") is the mean annual growth rate over a specified time period.

⁴ GPV is defined as the total dollar amount of all card payments processed by sellers using Square, net of refunds, and ACH transfers. Additionally, GPV includes Cash App Business GPV, which is comprised of Cash App activity related to peer-to-peer transactions received by business accounts, and peer-to-peer payments sent from a credit card.

⁵ A transacting active is a Cash App account that has at least one financial transaction using any product or service within Cash App during the specified period. A transacting active for a specific Cash App product has at least one financial transaction using that product during the specified period and is referred to as an active.

Periodic Evaluation of Capital Structure. The nominating and corporate governance committee and the board annually review the Company's corporate governance practices. After our 2021 annual meeting of stockholders, our nominating and corporate governance committee met to discuss specific feedback we received from stockholders on our capital structure. For the reasons outlined above, the nominating and corporate governance committee and the board concluded that, for our Company at this time, maintaining our dual-class voting structure, and the stability it promotes, is in the best interest of our Company and stockholders.

Sunset Provision Already Exists for our Capital Structure. The proportion of Class B common stock issued and outstanding has been reduced over time and our certificate of incorporation already contemplates a "phase-out" process for our current voting structure -- when the shares of our Class B common stock represent less than 5% of combined voting power of our Class A common stock and Class B common stock, the then-outstanding shares of Class B common stock will automatically convert into shares of Class A common stock. We believe this dilution-based process is better for stockholders than the "time-based" sunset included in this proposal because it incentivizes our Class B stockholders to maintain an equity interest in the Company. The time-based approach creates an artificial and arbitrary deadline without consideration for the level of ownership of our founders, our strategy, or our prospects, which is detrimental to the long-term interests of our stockholders.

Independent Board Leadership and Alignment of Interests. Our independent board of directors and equity-based compensation facilitate strong oversight of management decisions and ensure that our senior management team has a vested economic interest in the Company's success. To mitigate potential concerns with our capital structure, we have implemented effective governance mechanisms, including:

- A majority-independent board of directors which we believe adequately represents the interests of all our stockholders.
- A strong Lead Independent Director with robust responsibilities that are further detailed on page 5.
- Regularly scheduled executive sessions in conjunction with all regularly scheduled board and committee meetings.
- Annual board, committee and individual director self-assessments.
- Increased stockholder engagement on governance issues, including our first ESG Roadshow where we spoke to many of our top stockholders on a variety of governance issues, including our capital structure.

The economic interests of senior management are aligned with those of our stockholders. The majority of their compensation is paid through equity awards, the underlying value of which is directly tied to the price of our Class A common stock. Moreover, our directors and executive officers are subject to robust stock ownership requirements (as described on page 19) which further incentivize them to make decisions that are in the best long-term interests of our stockholders.

Vote Required

This stockholder proposal requires the affirmative vote of a majority of the voting power of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions will have the effect of a vote against this proposal, and broker non-votes will have no effect.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “AGAINST” THIS STOCKHOLDER PROPOSAL.

REPORT OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee is a committee of the board of directors comprised solely of independent directors as required by the listing standards of the New York Stock Exchange and rules and regulations of the Securities and Exchange Commission (“SEC”). The composition of the audit and risk committee, the attributes of its members and the responsibilities of the audit and risk committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit and risk committees. With respect to Block’s financial reporting process, Block’s management is responsible for (1) establishing and maintaining internal controls and (2) preparing Block’s consolidated financial statements. Block’s independent registered public accounting firm, Ernst & Young LLP (“EY”), is responsible for performing an independent audit of Block’s consolidated financial statements. It is the responsibility of the audit and risk committee to oversee these activities. It is not the responsibility of the audit and risk committee to prepare Block’s financial statements. These are the fundamental responsibilities of management. In the performance of its oversight function, the audit and risk committee has:

- reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2021 with management and EY;
- discussed with EY the matters required to be discussed by the applicable requirements of the Public Accounting Oversight Board (“PCAOB”) and the SEC; and
- received the written disclosures and the letter from EY required by applicable requirements of the PCAOB regarding the independent accountant’s communications with the audit and risk committee concerning independence, and has discussed with EY its independence.

Based on the audit and risk committee’s review and discussions with management and EY, the audit and risk committee recommended to the board of directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for filing with the SEC.

Respectfully submitted by the members of the audit and risk committee of the board of directors:

David Viniar (Chair)
Roelof Botha
Anna Patterson
Lawrence Summers

This report of the audit and risk committee is required by the SEC and, in accordance with the SEC’s rules, will not be deemed to be part of or incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended (“Securities Act”), or under the Securities Exchange Act of 1934, as amended (“Exchange Act”), except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed “soliciting material” or “filed” under either the Securities Act or the Exchange Act.

EXECUTIVE OFFICERS

The following table identifies certain information about our executive officers as of March 31, 2022. Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
Jack Dorsey	45	Block Head and Chairperson
Amrita Ahuja	42	Chief Financial Officer
Brian Grassadonia	38	Cash App Lead
Alyssa Henry	51	Square Lead and Infrastructure and Information Security Lead
Sivan Whiteley	45	Chief Legal Officer and Corporate Secretary

Jack Dorsey, see above under “Board of Directors and Corporate Governance” for biographical information for Mr. Dorsey.

Amrita Ahuja has served as our Chief Financial Officer since January 2019. From March 2018 to January 2019, Ms. Ahuja served as the Chief Financial Officer of Blizzard Entertainment, Inc., a division of Activision Blizzard, Inc. Beginning in June 2010, she served in various positions at Activision Blizzard, Inc., including as Senior Vice President of Investor Relations from January 2015 to May 2018, Vice President, Finance and Operations from August 2012 to January 2015 and Vice President, Strategy and Business Development from June 2010 to August 2012. Prior to that, she was a Director of Business Development at Fox Networks Group, served in strategic planning at The Walt Disney Company from 2003 to 2005 and worked in investment banking at Morgan Stanley from 2001 to 2003. Ms. Ahuja currently serves on the boards of directors of Airbnb, Inc. and a privately-held company. She holds a B.A. in economics from Duke University and an M.B.A. from Harvard Business School.

Brian Grassadonia has served as our Cash App Lead since January 2013. From May 2012 to January 2013, Mr. Grassadonia served as our Director of Product Development, as well as our Director of Growth from February 2011 to May 2012. He joined the Company in September 2010 and served as Product Manager until February 2011. Mr. Grassadonia currently serves on the board of directors of a privately-held company. Mr. Grassadonia holds a Bachelor of Applied Science (BASc) in Management Science from the University of California, San Diego.

Alyssa Henry has served as our Square Lead and Infrastructure and Information Security Lead since October 2014 and December 2021, respectively. From May 2014 to October 2014, Ms. Henry served as our Engineering Lead, Infrastructure. From April 2006 to April 2014, Ms. Henry served in various positions at Amazon.com, Inc. (“Amazon”), including as Vice President, Amazon Web Services Storage Services, and as General Manager of Amazon S3. Prior to Amazon, Ms. Henry held technical and leadership roles at Microsoft from 1994 to 2006. Ms. Henry currently serves on the boards of directors of Intel Corporation, Confluent, Inc. and Unity Software, Inc. Ms. Henry holds a B.S. in Mathematics-Applied Science with a Specialization in Computing from the University of California, Los Angeles.

Sivan Whiteley has served as our Chief Legal Officer and Corporate Secretary since December 2021, having previously served as our General Counsel and Corporate Secretary since March 2018. From January 2016 to March 2018, Ms. Whiteley served as our Associate General Counsel, as well as acting Co-General Counsel from September 2016 to December 2016. She joined the Company as Counsel in March 2013 and was Director, Counsel from September 2013 to December 2015. Prior to that, Ms. Whiteley served as Associate General Counsel at Better Place, Inc., as Commercial and Product Counsel at eBay Inc. and was a litigator at Bingham McCutchen LLC. Ms. Whiteley currently serves on the board of directors of LegalZoom.com, Inc. Ms. Whiteley holds a B.A., *magna cum laude*, in Political Science from the University of California, San Diego and a J.D., *cum laude*, from Harvard Law School.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis summarizes the material components of our executive compensation program and our executive compensation policies, practices and material compensation decisions for 2021 for our “named executive officers.” Our named executive officers for 2021 are:

Jack Dorsey	Block Head and Chairperson
Amrita Ahuja	Chief Financial Officer
Brian Grassadonia	Cash App Lead
Alyssa Henry	Square Lead and Infrastructure and Information Security Lead
Sivan Whiteley	Chief Legal Officer and Corporate Secretary

Compensation Philosophy

Block stands for economic empowerment. We build tools to help more people access the economy. Square helps sellers run and grow their businesses with its integrated ecosystem of commerce solutions, business software, and banking services. With Cash App, anyone can easily send, spend, or invest their money in stocks or Bitcoin. Artists use TIDAL to help them succeed as entrepreneurs and connect more deeply with their fans. TBD is building an open developer platform to make it easier to access Bitcoin and other blockchain technologies without having to go through an institution. Our customers inspire us in how they innovate, take risks and take ownership. We want our employees, like our customers, to act like owners. Our compensation approach reflects this philosophy.

To this end, our compensation programs are designed to attract, retain and grow the best teams while reflecting the core tenets of our culture:

- *Performance-driven:* By creating compensation programs that reward individual performance and achievement of corporate objectives, our employees are incentivized to perform their best work and receive financial awards for their impact on Block and our business.
- *Fairness:* By designing and delivering compensation programs that are equitable across similarly situated employees, our employees are motivated to work collaboratively to achieve our long-term business objectives and serve our customers.
- *Simplicity:* By providing compensation programs that are simple and do not distract from their day-to-day responsibilities, our employees are able to focus on growing our business and are rewarded when Block is successful.

Compensation Design and Objectives

In 2021, we continued to maintain a simplified approach to employee and executive compensation. Compensation for our named executive officers consists largely of base salary and equity awards intended to align incentives to grow our business. Equity incentives are provided through a combination of stock options and restricted-stock based awards. We believe that this combination provides an appropriate mix of performance-driven appreciation opportunities through stock options, and alignment of rewards with the long-term interests of our stockholders through restricted stock-based awards. We have not implemented a company-wide performance-based cash incentive plan for our employees, including our named executive

officers, in order to conserve cash and maintain a simplified compensation program that focuses on delivering long-term growth rather than short-term results.

The primary objective of our executive compensation program is to drive long-term stockholder value. We seek to achieve this objective by designing our executive compensation programs to:

- recruit and retain talented individuals who can develop, implement and deliver on long-term value creation strategies by using reasonable and competitive pay packages focused on long-term executive retention;
- motivate our executives to deliver the highest level of individual, team and Company performance; and
- provide heavier weighting (over 90% of aggregate named executive officer compensation during 2021) towards equity-based compensation directly tied to the long-term value and growth of our Company and to align the interests of our executives with those of our stockholders.

For 2021, we made the following executive compensation decisions:

- *Block Head Compensation:* Mr. Dorsey requested that the compensation committee continue to provide him with no cash or equity compensation except for an annual base salary of \$2.75. The compensation committee considered Mr. Dorsey's request in light of his significant ownership position, determined that Mr. Dorsey's financial incentives are strongly aligned with the interests of long-term stockholders without further compensation and, therefore, approved Mr. Dorsey's request. Mr. Dorsey continues to participate in several company-wide benefit programs, such as our healthcare and other insurance coverages, on the same basis as our other salaried, full-time employees.
- *Base Salaries:* In April 2021, we adjusted the base salary levels of Mses. Ahuja, Henry and Whiteley and Mr. Grassadonia, after consideration of a competitive market analysis, and after taking into consideration each executive's performance and contributions over the prior year and our desire to retain our highly qualified executive team. While cash compensation for our executives remains generally lower than when compared to our peer benchmarks, these adjustments improve the competitive alignment of executive base salaries.
- *Equity Awards:* Annual equity awards were made through a combination of stock options and RSUs to each of our named executive officers (other than our Block Head) to provide them with additional incentives to remain with us and to maintain alignment of our total compensation programs with the competitive market.

We conduct a comprehensive review of our compensation philosophy, objectives and design, including a review of our executive compensation program, on an annual cycle. We may implement new compensation plans and arrangements for our named executive officers and/or employees where we deem necessary or appropriate, including to attract or retain high-caliber talent to our organization or provide incentives for them to drive Block's success.

Impact of 2021 Stockholder Advisory Vote on Executive Compensation

In June 2021, we conducted a non-binding, advisory vote on the compensation of our named executive officers, commonly referred to as a “say-on-pay” vote, at our 2021 annual meeting of stockholders. Our stockholders overwhelmingly voted to approve the compensation of the named executive officers, with more than 93% of the votes cast in favor of our executive compensation program.

The compensation committee was mindful of this strong support, and after considering this advisory vote result and evaluating our executive compensation policies and practices throughout 2021, determined that we should maintain the compensation philosophy and objectives from prior years and retain our general approach to executive compensation. As a result, the compensation committee decided to continue to provide compensation with an emphasis on equity compensation that rewards our most senior executives when they deliver value for our stockholders.

Consistent with the recommendation of our board of directors and the approval of our stockholders in connection with the advisory vote on the frequency of future say-on-pay votes conducted at our 2016 annual meeting of stockholders, the board of directors has adopted a policy providing for annual advisory votes on the compensation of our named executive officers. As described in this proxy statement, we are also conducting an advisory vote on the frequency of future say-on-pay votes at the Annual Meeting. The next advisory vote on the frequency of future say-on-pay votes will occur at our 2028 annual meeting of stockholders.

Compensation-Setting Process

Role of Our Compensation Committee

Our compensation committee administers and determines the parameters of the executive compensation program. Our compensation committee currently consists of Mses. Meeker and Rothstein and Messrs. Botha and Deighton, with Ms. Meeker serving as Chair. Ms. Rothstein was appointed to the compensation committee, effective April 20, 2022. Each member qualifies as an “independent director” for purposes of the listing standards of the New York Stock Exchange. Mses. Meeker and Rothstein and Mr. Deighton each qualify as a “non-employee director” for purposes of Rule 16b-3 under the Exchange Act. Mr. Botha also qualified as a “non-employee director” for purposes of Rule 16b-3 under the Exchange Act for a portion of 2021. To the extent that any member of the compensation committee is not a “non-employee director” for purposes of Rule 16b-3, our compensation committee may establish, and has in the past established, a sub-committee to which it delegates authority to grant and administer equity awards, in order to help promote compliance with Section 16 of the Exchange Act. For purposes of the discussion below, references to “compensation committee” shall mean the “sub-committee” for all actions taken with respect to such awards in 2021, except as otherwise noted.

Under its charter, our compensation committee reviews, approves and determines, or makes recommendations to our board of directors regarding, executive officer compensation. For additional information on our compensation committee, including its authority, see “Board of Directors and Corporate Governance—Board Meetings and Committees—Compensation Committee” elsewhere in this proxy statement.

Role of Management

Our Block Head, People Lead and members of our People team provide our compensation committee with information on corporate and individual performance, market data and their perspectives and recommendations on compensation matters. No named executive officer participates in deliberations regarding their own compensation.

For named executive officers that are hired externally, their initial compensation arrangements are determined through negotiations with each named executive officer. Typically, our Block Head provides input on the terms of these arrangements, with the oversight and final approval of our board of directors or our compensation committee. Compensation for individuals promoted into named executive officer positions is recommended by the Block Head and the People Lead, and reviewed and approved by the compensation committee.

In reviewing compensation for existing named executive officers, our compensation committee solicits input from our Block Head and our People Lead. Our compensation committee reviews their input on capability, job complexity and overall assessment of individual performance and contributions of each executive. Our compensation committee values our Block Head's perspective and input on each named executive officer's performance and contributions to our business. The input of our Block Head is an important factor that our compensation committee uses in making its executive compensation decisions, along with input from our external compensation advisors on market trends.

Role of Compensation Consultant

Our compensation committee has the authority to engage its own advisors to assist in carrying out its responsibilities. In 2021, our compensation committee continued to engage Compensia, an independent compensation consultant, to assist with its duties, including providing advice relating to our compensation peer group selection as well as providing support and specific analyses with regard to compensation data and formulation of recommendations for executive and non-employee director compensation. Compensia reports directly to our compensation committee and not to management, is independent from us and has provided no other services to us.

Our compensation committee has assessed the independence of Compensia taking into account, among other things, the enhanced independence standards and factors set forth in Exchange Act Rule 10C-1 and the applicable listing standards of the New York Stock Exchange, and concluded that there are no conflicts of interest regarding the work that Compensia performs for our compensation committee.

Competitive Positioning

In determining the compensation for our named executive officers, our compensation committee, with assistance from Compensia, reviews the compensation practices and levels of our compensation peer group. This compensation peer group analysis is used to assess whether our executive compensation program and individual compensation levels for our named executive officers are appropriately positioned to attract and retain high performing talent.

Our compensation peer group is set forth below and was established for 2021 with input from Compensia. The compensation peer group was developed using a rules-based/mechanical approach and reflects publicly traded companies with similar industry, geography and financial characteristics as us (including revenues of approximately forty percent (0.4x) to two and one half times (2.5x) and a market capitalization of approximately one quarter (0.25x) to four times (4.0x) Block's respective levels at the time the peer group was selected). The group was further refined

to include companies with one-year revenue growth greater than 10% or market capitalization per employee greater than \$3 million. Our compensation committee intends to regularly review our compensation peer group and the underlying criteria to assess that it remains appropriate for review and comparison purposes.

A number of companies that met the criteria for inclusion in our peer group in 2020 no longer met those criteria in 2021 and were removed from our 2021 peer group. Companies included in our peer group in 2020 but not in 2021 were Arista Networks, Dropbox, Euronet Worldwide, and WEX. Similarly, companies that were outside our scoping metrics in 2020, but were within them in 2021, were added to our compensation peer group. Those companies are noted by a * in the list below. Accordingly, the compensation peer group used to inform our 2021 compensation decisions were:

Adobe	Lyft	Snap	Wayfair
Autodesk	Match Group	Splunk	Workday
Fortinet	Palo Alto Networks	Take-Two Interactive	Zillow Group
Global Payments *	PayPal Holdings	Twilio *	
GoDaddy	ServiceNow	Twitter	
Intuit	Shopify	Uber Technologies	

Relative to our compensation peer group above, at the time of approval of our peer group in February 2021, Block ranked at the 73rd percentile on a trailing four quarters GAAP revenue basis and at the 77th percentile on a market capitalization basis.

In addition to the companies listed above, the compensation committee reviewed the executive compensation programs and practices of Alphabet, Amazon, Apple, Facebook, Intel, IBM, Microsoft and salesforce.com for reference purposes only. We compete for talent with these reference companies, and the compensation committee believed it was important to understand their compensation practices in order to remain competitive.

Our compensation committee supplemented the compensation data from our compensation peer group with analysis of data from the Radford Compensation Survey. For this additional analysis, our compensation committee reviewed aggregate data from the Radford survey participants that were also members of our compensation peer group.

Though its analysis of competitive market data informs its decisions, our compensation committee also applies its subjective judgment in determining the pay levels of individual named executive officers. Additional factors our compensation committee considers when making its compensation decisions include input from our Block Head and our People Lead, company performance, individual performance and experience, individual skills and expertise, each named executive officer's role and/or retention and incentive objectives.

Elements of Executive Compensation

Consistent with our compensation philosophy, our executive compensation program consists of only two primary elements: base salary and long-term incentive compensation in the form of equity awards. During 2021, we provided no cash-based incentive compensation opportunities to our named executive officers, instead focusing on linking compensation to stockholder value by using equity awards as the primary means of incentive compensation. We do not use specific

formulas or weightings in determining the allocation between base salary and long-term incentive compensation; instead, each named executive officer's compensation has been individually designed to provide a combination of fixed and at-risk compensation to provide incentives to achieve our objectives.

We also provide severance and change of control benefits for our named executive officers as part of our executive compensation program. To remain consistent with our compensation goals of fairness and simplicity, each named executive officer (other than our Block Head) is entitled to severance and change of control benefits based on the same formulas.

Our named executive officers also participate in several company-wide health and welfare benefit plans that are generally available to our other employees.

Base Salary

Base salary for our named executive officers is the fixed component of our executive compensation program. We use base salary to compensate our named executive officers for services rendered during the year and to recognize the experience, skills, knowledge and responsibilities required of each named executive officer. We apply no specific formula to determine adjustments to base salary. We continue to provide base salaries that are conservative relative to competitive market pay levels.

In April 2021, our compensation committee reviewed the base salaries of Mses. Ahuja, Henry, and Whiteley and Mr. Grassadonia, taking into consideration a competitive market analysis performed by Compensia, the recommendations of our Block Head and our People Lead, the desire to retain our highly qualified executive team and the other factors described above. Following this review, our compensation committee approved an increase in the annual base salary levels for Mses. Ahuja, Henry, and Whiteley and Mr. Grassadonia to \$500,000, in each case effective as of April 1, 2021, in order to improve competitive alignment with our peers. In addition, our compensation committee determined that it was appropriate to keep our Block Head's 2021 base salary level at \$2.75 per year, at the request of our Block Head and with compensation committee approval.

The annualized base salaries of our named executive officers as of December 31, 2021 compared to December 31, 2020 were:

Named Executive Officer	Annual Base Salary as of December 31, 2020	Annual Base Salary as of December 31, 2021	Percentage Increase
Mr. Dorsey	\$ 2.75	\$ 2.75	0%
Ms. Ahuja	\$ 475,000	\$ 500,000	5.3%
Mr. Grassadonia	\$ 475,000	\$ 500,000	5.3%
Ms. Henry	\$ 475,000	\$ 500,000	5.3%
Ms. Whiteley	\$ 475,000	\$ 500,000	5.3%

Equity Compensation

We believe that sustainable long-term corporate performance is achieved with a corporate culture that encourages a long-term focus by all of our employees. We seek to incentivize this focus in our employees, including our named executive officers, through the use of equity-based awards, the value of which depends on the performance of our stock.

Equity awards are central to our executive compensation program that is designed to promote fairness, maintain simplicity and provide rewards based on demonstrable performance. Equity ownership aligns the interests of our named executive officers with the interests of our stockholders by enabling them to participate in the long-term appreciation of the value of our common stock. Additionally, equity awards provide an important tool for us to retain our named executive officers, as awards are subject to vesting over a multi-year period subject to continued service with the company. Typically, these awards vest over four years, contingent on continued service, and the awards to our named executive officers in 2021 followed this practice.

Our executive compensation program provides equity incentives through a mix of stock options and restricted stock-based awards (currently awarded in the form of RSUs). Stock options provide executives with an opportunity to participate in stock price appreciation above their exercise price, creating incentives to continue to drive growth. Awards of RSUs and restricted stock awards (“RSAs”) create alignment with our long-term stockholders by providing both upside and downside tied to company performance. A mix of award types is also consistent with competitive practice among our peers. In determining the mix of stock options and RSUs for 2021, our compensation committee, with input from our Block Head, People Lead and Compensia, considered competitive market practices and the retention and performance incentives of outstanding equity holdings and determined that a mix of approximately 50% stock options and 50% RSUs, based on the target grant value of the awards, provided appropriate incentives for the named executive officers in 2021. We do not have an established set of criteria for granting equity awards. Instead, our compensation committee has exercised its judgment and discretion, in consultation with our Block Head and our People Lead, and considered, among other factors, the role and responsibility of each named executive officer, competitive factors, the amount of equity compensation already held by our named executive officer (and the extent to which it was vested) and the cash compensation to be received by our named executive officer, to determine and approve the size and terms of new equity awards.

In 2021, we granted annual equity awards to our named executive officers described in the table below. In determining the size and terms of these annual equity awards for Mses. Ahuja, Henry and Whiteley and Mr. Grassadonia, our compensation committee, with input from our Block Head, our People Lead and Compensia, considered the past and expected future key contributions of each of these named executive officers, the extent to which their existing equity awards were vested and the competitive market data for similarly situated executives. Our compensation committee believed it was appropriate to grant each of them new equity awards to help achieve our retention goals and further align their compensation with the competitive market.

<u>Named Executive Officer</u>	<u>Number of Securities Underlying Options (#)</u>	<u>RSUs (#)</u>	<u>Grant Date Fair Value (\$)</u>
Ms. Ahuja	36,688 (1)	19,433 (2)	9,736,917
Mr. Grassadonia	36,688 (1)	19,433 (2)	9,736,917
Ms. Henry	36,688 (1)	19,433 (2)	9,736,917
Ms. Whiteley	26,497 (1)	14,035 (2)	7,032,247

- (1) One forty-eighth of the shares subject to the option vest each month following the April 1, 2021 vesting commencement date, subject to continued service with the Company. The award is subject to certain acceleration of vesting provisions under Mses. Ahuja’s, Henry’s and Whiteley’s and Mr. Grassadonia’s change of control and severance agreements.

- (2) With respect to the RSUs, one-sixteenth of the total RSUs vest in equal quarterly installments over four years beginning on July 1, 2021, subject to continued service with the Company. The award is subject to certain acceleration of vesting provisions under Mses. Ahuja's, Henry's, and Whiteley's and Mr. Grassadonia's change of control and severance agreements.

Mr. Dorsey did not receive any equity awards in 2021 at his request, and because our compensation committee believed that his existing equity ownership position sufficiently aligned his interests with those of our stockholders.

No Special Retirement, Health or Welfare Benefits

Our named executive officers are eligible to participate in our employee benefit programs on the same basis as our other salaried employees. We maintain a tax-qualified retirement plan ("401(k) Plan") that provides eligible employees with an opportunity to save for retirement on a tax-advantaged basis. Eligible employees are able to participate in the 401(k) Plan as of the first day of the month following the date they meet the 401(k) Plan's eligibility requirements, and participants are able to defer up to 75% of their eligible compensation subject to applicable annual tax limits. All participants' interests in their deferrals are 100% vested when contributed. The 401(k) Plan permits us to make matching contributions and profit sharing contributions. For the plan year beginning on January 1, 2021, we made a matching contribution equal to 100% of participants' pre-tax and Roth contributions up to \$2,000 and after that, 50% of participants' pre-tax and Roth contributions up to a maximum matching contribution of \$5,000 per participant. We have not made any profit sharing contributions to date.

Our health and welfare benefits include medical, dental and vision benefits, disability insurance, basic life insurance coverage, accidental death and dismemberment insurance and a monthly wellness allowance. We design our employee benefits programs to be affordable and competitive in relation to the market and compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon changes in applicable laws and market practices.

Limited Perquisites and Other Personal Benefits

We do not provide perquisites or other personal benefits to our named executive officers, except in limited situations where we believe it is appropriate to assist an individual in the performance of their duties, to make our named executive officers more efficient and effective and for recruitment and retention purposes.

Employment Agreements with Named Executive Officers

We have entered into a confirmatory employment letter with each of our NEOs. The confirmatory employment letter has no specific term and provides for at-will employment.

Post-Employment Compensation

We have entered into change of control and severance agreements with our named executive officers that provide for certain specified payments and benefits if a termination of employment occurs under specified circumstances, including following a change of control of our company. We believe that these protections are necessary to provide our valuable executives with incentives to forego other employment opportunities and remain employed with us and to maintain continued focus and dedication to their responsibilities to maximize stockholder value, including if there is a potential transaction that could involve a change of control. In addition, these protections are available only if a named executive officer executes and does not revoke a general release of

claims in our favor. The terms of these agreements were determined by our compensation committee, with input from our management team, following a review of analysis prepared by Compensia of relevant market data for other companies with whom we compete for executive talent.

For a summary of the material terms of the change of control and severance agreements and an estimate of the payments and benefits that may be received by our named executive officers under these arrangements, see “—Potential Payments on Termination or Change of Control” below.

Other Compensation Information

Hedging and Pledging Prohibitions

We have an Insider Trading Policy, which, among other things, prohibits our employees, including officers, or directors from making short sales, engaging in transactions in publicly-traded options (such as puts and calls) and other derivative securities relating to our common stock, pledging any of our securities as collateral for a loan and holding any of our securities in a margin account, whether such securities are granted as compensation or are held, directly or indirectly, by the employee or director. This prohibition extends to any hedging or similar transaction designed to decrease the risks associated with holding our securities.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), generally limits the amount we may deduct from our federal income taxes for compensation paid to our Block Head and certain other executive officers to \$1 million per executive officer per year, subject to certain exceptions. Neither our compensation committee nor any authorized subcommittee, as applicable, has adopted a policy that all equity or other compensation must be deductible.

When approving the amount and form of compensation for our executive officers, we generally consider all elements of the cost to us of providing such compensation, including the potential impact of Section 162(m) of the Code, as well as our need to maintain flexibility in compensating executive officers in a manner designed to promote our goals. Our compensation committee or its authorized subcommittee, as applicable, may, in its judgment, authorize compensation payments that will or may not be deductible when it believes that such payments are appropriate to attract, retain or motivate executive talent.

Taxation of Parachute Payments and Deferred Compensation

We do not provide, and have no obligation to provide, any of our named executive officers with a “gross-up” or other reimbursement payment for any tax liability they might owe because of the application of Sections 280G, 4999 or 409A of the Code. If any of the payments or benefits provided for under the change of control and severance agreements or otherwise payable to a named executive officer would constitute “parachute payments” within the meaning of Section 280G of the Code and could be subject to the related excise tax, they would receive either full payment of such payments and benefits or such lesser amount that would cause no portion of the payments and benefits being subject to the excise tax, whichever results in the greater after-tax benefits to our named executive officer.

Accounting for Stock-Based Compensation

Our compensation committee considers accounting effects in designing compensation plans and arrangements for our executive officers and other employees. Chief among these is ASC 718, the standard which governs the accounting treatment of stock-based compensation awards. ASC 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options and restricted stock-based awards, generally based on the grant date “fair value” of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our executive officers may realize no value from their awards. ASC 718 also requires companies to recognize the compensation cost of their share-based payment awards in their income statements over the period that an executive officer is required to render service in exchange for the option or other award.

Stock Ownership Guidelines

We maintain stock ownership guidelines for our executive officers to ensure ongoing alignment of the interests of our executive officers with the long-term interests of our stockholders. For information concerning these guidelines, see the section titled “Board of Directors and Corporate Governance—Stock Ownership Guidelines.”

Compensation “Clawback” Policy

The board of directors has adopted a policy that gives the board of directors (or any duly authorized committee of the board of directors) discretion to require that any of our executive officers, including our named executive officers, repay incentive-based compensation to our company if a majority of the independent members of the board of directors (or the committee to which it has delegated authority) determines that the executive officer’s gross negligence, intentional misconduct or fraud caused or partially caused us to materially restate all or a portion of our financial statements on which such compensation was calculated. Such determination must be made within three years of the date of filing of the applicable financial statements. The compensation committee believes that the clawback policy reflects good standards of corporate governance and reduces the potential for excessive risk taking by executive officers. The SEC is expected to adopt regulations requiring national listing exchanges to enact listing standards governing policies providing for the recovery of incentive-based compensation, and the clawback policy will be timely revised and updated to comply with such listing standards.

Compensation Committee Report

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis provided above. Based on its review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and Block’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Compensation Committee

Mary Meeker (Chair)
Roelof Botha
Paul Deighton
Sharon Rothstein*

*Ms. Rothstein joined the compensation committee on April 20, 2022.

Compensation Risk Assessment

Our management team and our compensation committee each play a role in evaluating and mitigating any risk that may exist relating to our compensation programs, policies and practices for all employees, including our named executive officers. In connection with their oversight, Compensation and management conducted a risk review of our employee compensation plans and arrangements in which our employees (including our named executive officers) participate to determine whether these plans and arrangements have any features that might create undue risks or encourage unnecessary and excessive risk-taking that could threaten our value. In this review, we considered numerous factors and design elements that enable us to monitor, manage and mitigate risk, without diminishing the effect of the incentive nature of compensation, including:

- a commission-based incentive program for sales employees that only results in payout based on measurable financial or business critical performance measures with payments made quarterly in arrears;
- our practice of awarding long-term incentive compensation in equity awards upon hire to our named executive officers to directly tie their expectation of compensation to their contributions to the long-term value of our company; and
- other risk mitigators such as the Insider Trading Policy prohibiting stock pledging and hedging, formal stock ownership guidelines and a clawback/compensation recovery policy.

Based on our review, we have concluded that any potential risks arising from our employee compensation programs, policies and practices, including our executive compensation program, are not reasonably likely to have a material adverse effect on Block.

Summary Compensation Table for 2021

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	All Other Compensation (\$)(2)	Total Compensation (\$)
Mr. Dorsey	2021	2.75	—	—	—	—	2.75
<i>Block Head</i>	2020	2.75	—	—	—	—	2.75
	2019	2.75	—	—	—	—	2.75
Ms. Ahuja	2021	493,750	—	4,931,901	4,805,016	5,000	10,235,667
<i>Chief Financial Officer</i>	2020	468,750	—	3,783,406	4,385,035	183,155	8,820,346
	2019	425,000	315,000(3)	9,000,051	3,000,026	341,449	13,081,526
Mr. Grassadonia	2021	493,750	—	4,931,901	4,805,016	5,000	10,235,667
<i>Cash App Lead</i>	2020	468,750	—	3,783,406	4,385,035	5,030	8,642,221
Ms. Henry	2021	493,750	—	4,931,901	4,805,016	5,000	10,235,667
<i>Square Lead and Infrastructure and Information Security Lead</i>	2020	468,750	—	3,783,406	4,385,035	5,150	8,642,341
	2019	437,500	—	2,857,283	3,032,672	5,188	6,332,643
Ms. Whiteley	2021	493,750	—	3,561,943	3,470,304	8,783	7,534,780
<i>Chief Legal Officer and Corporate Secretary</i>	2020	468,750	—	3,255,761	3,542,303	60,568	7,327,382
	2019	437,500	—	1,904,855	2,021,771	96,017	4,460,143

- (1) The amounts included in the “Stock Awards” and “Option Awards” columns represent the aggregate grant date fair value of RSUs, RSAs and option awards calculated in accordance with ASC 718. Such grant date fair value does not take into account any estimated forfeitures related to service-vesting conditions. The valuation assumptions used in determining the grant date fair value of the RSUs, RSAs and option awards reported in this column are described in the “Share-based Compensation” section of and the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.
- (2) Amounts disclosed in this column include the aggregate incremental costs of perquisites and other personal benefits (i) the 401(k) employer match for Ms. Ahuja, Mr. Grassadonia, and Ms. Henry and (ii) the 401(k) employer match of \$5,000 and tax gross-up made to provide tax neutrality on amounts of regular compensation that was allocated solely for U.K. purposes toward service on the boards of directors of two of the Company’s U.K. subsidiaries for Ms. Whiteley in 2021.
- (3) The amount disclosed represents a discretionary one-time bonus paid in connection with Ms. Ahuja joining the Company in January 2019.

Grants of Plan-Based Awards in 2021

The following table sets forth information regarding grants of awards made to our named executive officers during 2021. We did not grant any plan-based cash awards or RSAs during 2021.

<u>Name</u>	<u>Grant Date</u>	<u>Number of Securities Underlying RSUs (#)</u>	<u>Number of Securities Underlying Options (#)</u>	<u>Exercise or Base Price of Option Awards (\$/Sh)</u>	<u>Grant Date Fair Value of Stock and Option Awards \$(1)</u>
Mr. Dorsey	—	—	—	—	—
Ms. Ahuja	4/27/2021	19,433	36,688	253.79	9,736,917
Mr. Grassadonia	4/27/2021	19,433	36,688	253.79	9,736,917
Ms. Henry	4/27/2021	19,433	36,688	253.79	9,736,917
Ms. Whiteley	4/27/2021	14,035	26,497	253.79	7,032,247

- (1) The amounts included in this column represent the aggregate grant date fair value of RSU and option awards calculated in accordance with ASC 718. The valuation assumptions used in determining the grant date fair value of the RSUs and options reported in this column are described in the “Share-based Compensation” section of and the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Outstanding Equity Awards at 2021 Year-End

The following table lists all outstanding equity awards held by our named executive officers as of December 31, 2021. See “Potential Payments on Termination or Change of Control” below for information regarding the impact of certain employment termination scenarios on outstanding equity awards.

Name	Grant Date(1)	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)(2)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested \$(3)
Mr. Dorsey	—	—	—	—	—	—	—
Ms. Ahuja	1/24/2019 (4)	4,071	26,461	73.94	1/23/2029	—	—
	1/24/2019 (5)	—	—	—	—	38,038	\$ 6,143,517
	4/21/2020 (6)	4,355	98,584	57.40	4/20/2030	—	—
	4/21/2020 (7)	—	—	—	—	41,196	\$6,653,566
	4/27/2021 (6)	6,114	30,574	253.79	4/26/2031	—	—
	4/27/2021 (8)	—	—	—	—	17,004	\$ 2,746,316
Mr. Grassadonia	2/27/2014 (9)	408,266	—	7.25	2/27/2024	—	—
	6/17/2015 (9)	460,000	—	13.94	6/16/2025	—	—
	4/19/2017 (6)	137,122	—	17.20	4/18/2027	—	—
	4/25/2018 (10)	98,123	10,903	44.75	4/24/2028	—	—
	4/25/2018 (11)	—	—	—	—	5,724	\$ 924,483
	4/24/2019 (6)	66,149	33,075	71.99	4/23/2029	—	—
	4/24/2019 (12)	—	—	—	—	14,884	\$ 2,403,915
	4/21/2020 (6)	70,417	98,584	57.40	4/20/2030	—	—
	4/21/2020 (7)	—	—	—	—	41,196	\$6,653,566
	4/27/2021 (6)	6,114	30,574	253.79	4/26/2031	—	—
4/27/2021 (8)	—	—	—	—	17,004	\$ 2,746,316	
Ms. Henry	5/14/2014 (4)	1,600,000	—	7.25	5/14/2024	—	—
	4/19/2017 (6)	15,683	—	17.20	4/18/2027	—	—
	4/25/2018 (10)	98,123	10,903	44.75	4/24/2028	—	—
	4/25/2018 (11)	—	—	—	—	5,724	\$ 924,483
	4/24/2019 (6)	66,149	33,075	71.99	4/23/2029	—	—
	4/24/2019 (12)	—	—	—	—	14,884	\$ 2,403,915
	4/21/2020 (6)	70,417	98,584	57.40	4/20/2030	—	—
	4/21/2020 (7)	—	—	—	—	41,196	\$6,653,566
	4/27/2021 (6)	6,114	30,574	253.79	4/26/2031	—	—
4/27/2021 (8)	—	—	—	—	17,004	\$ 2,746,316	

Name	Grant Date(1)	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price \$(2)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested \$(3)
Ms. Whiteley	2/27/2014 (4)	4,167	—	7.25	2/27/2024	—	—
	6/17/2015 (4)	13,125	—	13.94	6/16/2025	—	—
	4/25/2018 (10)	42,929	4,770	44.75	4/24/2028	—	—
	4/25/2018 (13)	—	—	—	—	2,505	\$ 404,583
	7/24/2018 (14)	—	—	—	—	2,946	\$ 475,808
	4/24/2019 (6)	44,099	22,050	71.99	4/23/2029	—	—
	4/24/2019 (15)	—	—	—	—	9,923	\$ 1,602,664
	4/21/2020 (6)	50,297	70,418	57.40	4/20/2030	—	—
	4/21/2020 (16)	—	—	—	—	29,426	\$ 4,752,593
	9/01/2020 (6)	1,536	3,381	166.66	8/31/2030	—	—
	9/01/2020 (17)	—	—	—	—	2,283	\$ 368,727
	4/27/2021 (6)	4,416	22,081	253.79	4/26/2031	—	—
	4/27/2021 (18)	—	—	—	—	12,281	\$ 1,983,504

- (1) Each of the outstanding equity awards was granted pursuant to our 2009 Stock Plan (the “2009 Plan”) or 2015 Plan.
- (2) This column represents the fair market value of a share of our common stock on the date of grant, as determined by our board of directors.
- (3) This column represents the fair market value of the shares of our Class A common stock underlying the RSUs and RSAs as of December 31, 2021, based on the closing price of our Class A common stock, as reported on the New York Stock Exchange, of \$161.51 per share.
- (4) One-fourth of the shares subject to the option vest on the first anniversary of the option’s vesting commencement date and one forty-eighth of the shares vest monthly thereafter, subject to continued service with us.
- (5) Each share is subject to an RSA representing a contingent right to receive one share of our Class A common stock. One-fourth of the total 121,721 shares subject to the RSAs vested on February 1, 2020, and one-sixteenth of the RSAs vest every three months thereafter until the RSA is fully vested as of February 1, 2023.
- (6) One forty-eighth of the shares subject to the option vest monthly from the date of the vesting commencement date, subject to continued service with us.
- (7) Each share is subject to an RSU representing a contingent right to receive one share of our Class A common stock upon settlement. One-sixteenth of the total 65,913 shares subject to the RSUs vested on July 1, 2020, and one-sixteenth of the RSUs vest every three months thereafter until the RSU is fully vested as of April 1, 2024.
- (8) Each share is subject to an RSU representing a contingent right to receive one share of our Class A common stock upon settlement. One-sixteenth of the total 19,433 shares subject to the RSUs vested on July 1, 2021, and one-sixteenth of the RSUs vest every three months thereafter until the RSU is fully vested as of April 1, 2025.
- (9) One-fifth of the shares subject to the option vest on the first anniversary of the option’s vesting commencement date and one-sixtieth of the shares vest monthly thereafter, subject to continued service with us.
- (10) One-twelfth of 10% of the shares subject to the option vest monthly beginning on May 1, 2018 for 12 months, and the remaining one-thirty-sixth of 90% of the shares vest monthly thereafter, subject to continued service with us.
- (11) Each share is subject to an RSA representing a contingent right to receive one share of our Class A common stock One-fourth of 10% of the total 38,159 shares subject to the RSAs

vested on July 1, 2018 and every three months thereafter until April 1, 2019, and one-twelfth of the remaining 90% of the shares vest in equal increments every three months thereafter beginning July 1, 2019, until the RSA is fully vested as of April 1, 2022.

- (12) Each share is subject to an RSA representing a contingent right to receive one share of our Class A common stock. One-sixteenth of the total 39,690 shares subject to the RSAs vested on July 1, 2019, and one-sixteenth of the RSAs vest every three months thereafter until the RSA is fully vested as of April 1, 2023.
- (13) Each share is subject to an RSA representing a contingent right to receive one share of our Class A common stock. One-fourth of 10% of the total 16,695 shares subject to the RSAs vested on July 1, 2018 and every three months thereafter until April 1, 2019, and one-twelfth of the remaining 90% of the shares vest in equal increments every three months thereafter beginning July 1, 2019, until the RSA is fully vested as of April 1, 2022.
- (14) Each share is subject to an RSA representing a contingent right to receive one share of our Class A common stock. One-sixteenth of the total 11,784 shares subject to the RSAs vested on January 1, 2019, and one-sixteenth of the RSAs vest every three months thereafter until the RSA is fully vested as of October 1, 2022.
- (15) Each share is subject to an RSA representing a contingent right to receive one share of our Class A common stock. One-sixteenth of the total 26,460 shares subject to the RSAs vested on July 1, 2019, and one-sixteenth of the RSAs vest every three months thereafter until the RSA is fully vested as of April 1, 2023.
- (16) Each share is subject to an RSU representing a contingent right to receive one share of our Class A common stock upon settlement. One-sixteenth of the total 47,081 shares subject to the RSUs vested on July 1, 2020, and one-sixteenth of the RSUs vest every three months thereafter until the RSU is fully vested as of April 1, 2024.
- (17) Each share is subject to an RSU representing a contingent right to receive one share of our Class A common stock upon settlement. One-sixteenth of the total 3,320 shares subject to the RSUs vested on December 1, 2020, and one-sixteenth of the RSUs vest every three months thereafter until the RSU is fully vested as of September 1, 2024.
- (18) Each share is subject to an RSU representing a contingent right to receive one share of our Class A common stock upon settlement. One-sixteenth of the total 14,035 shares subject to the RSUs vested on July 1, 2021, and one-sixteenth of the RSUs vest every three months thereafter until the RSU is fully vested as of April 1, 2025.

Option Exercises and Stock Vested in 2021

The following table sets forth the number of shares of common stock acquired during 2021 by our named executive officers upon the exercise of stock options or upon the vesting of RSUs or RSAs, as well as the value realized upon such equity award transactions.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise \$(1)	Number of Shares Acquired on Vesting of RSUs and RSAs #(2)	Value Realized on Vesting of RSUs and RSAs \$(3)
Mr. Dorsey	—	—	—	—
Ms. Ahuja	109,699	19,749,511	49,338	11,780,802
Mr. Grassadonia	45,641	10,797,658	62,389	14,311,523
Ms. Henry	80,000	17,684,801	73,445	16,783,368
Ms. Whiteley	—	—	39,716	9,124,859

- (1) Calculated by multiplying (i) the fair market value of Class A common stock on the exercise date, which was determined using the closing price on the New York Stock Exchange of a share of Class A common stock on the date of exercise, or if such day is a holiday, on the immediately preceding trading day less the option exercise price paid for such shares of common stock, by (ii) the number of shares of common stock acquired upon exercise.
- (2) Reflects the aggregate number of shares of Class A common stock underlying RSUs and RSAs that vested in 2021. Of the amount shown for Mr. Grassadonia and Ms. Ahuja, Henry, and Whiteley, 24,506, 23,889, 35,772, and 19,053 shares, respectively, of Class A common stock were withheld or sold to cover tax withholding obligations upon vesting.
- (3) Calculated by multiplying (i) the fair market value of Class A common stock on the vesting date, which was determined using the closing price on the New York Stock Exchange of a share of common stock on the date of vest, or if such day is a holiday, on the immediately preceding trading day, by (ii) the number of shares of common stock acquired upon vesting. Of the amount shown for Mr. Grassadonia and Ms. Ahuja, Henry, and Whiteley, \$5,633,164, \$5,715,046, \$8,179,787, and \$4,382,698, respectively, represents the value of shares withheld or sold to cover tax withholding obligations upon vesting.

Pension Benefits

Aside from our 401(k) Plan, we do not maintain any pension plan or arrangement under which our named executive officers are entitled to participate or receive post-retirement benefits.

Non-Qualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans or arrangements under which our named executive officers are entitled to participate.

Potential Payments on Termination or Change of Control

Each of our named executive officers was subject to a change of control and severance agreement during their employment with us in 2021. The terms of the change of control and severance agreements (the “COC agreements”) are described below, and key differences that apply to our Block Head are highlighted. Under the COC agreements, if, before a change of control, the Company decides to terminate a named executive officer’s employment with the Company without cause (excluding by reason of death or disability), the Company may make a written request that the named executive officer continue to remain employed with the Company

or its subsidiaries for a specified transition period not to exceed 180 days from the date of the request (the “Transition Period”). During the Transition Period, the named executive officer will be expected to perform such transition and other duties as reasonably requested by the Company (or its subsidiaries) in its discretion. During the Transition Period, the named executive officer will continue to be paid their base salary, vest in their equity awards in accordance with their terms, and be eligible to participate in our bonus or commission plans (if any) and employee benefit plans, each in accordance with their terms. The Block Head’s change of control and severance agreement does not contain these Transition Period-related terms.

Under Ms. Ahuja’s COC agreement, if she remains employed by us or any of our subsidiaries through a “change in control” (as defined in our 2015 Plan), the vesting of any of her options that were outstanding when the original change of control and severance agreement was entered into will be accelerated upon the change in control as if she had been employed for an additional 12 months following such triggering event. If a change in control had occurred on December 31, 2021, Ms. Ahuja has one outstanding stock option award to which this would have applied had a change in control occurred on December 31, 2021. This option has an exercise price per share of \$73.94 and therefore she would have realized \$2,138,897 in value from this acceleration feature, based on the closing price of our Class A common stock on December 31, 2021, which was \$161.51.

If our named executive officer’s employment is terminated by us without “cause” or due to their death or “disability” (as such terms are defined in their change of control and severance agreement), in either case, outside the Change of Control Period (as defined below), and (ii) under the COC agreements (but not under the Block Head’s agreement), the named executive officer has completed any Transition Period requested by the company (excluding the named executive officers’ early cessation of any such Transition Period due to their death or disability, or the termination of the Transition Period by us other than for cause before its scheduled expiration) they will be eligible to receive these payments and benefits if they timely sign and do not revoke a release of claims:

- a lump-sum payment equal to base salary (as of immediately before their termination or, if the termination is due to a resignation for good reason based on a material reduction in base salary, then as of immediately before such reduction for a number of days equal to (i) 180 minus (ii) the number of days in the entire Transition Period (or, if, during the Transition Period, the named executive officer’s employment is terminated by us without cause or due to their death or disability, the number of days in (ii) will be the actual days worked during the Transition Period) (the “Severance Period”). Under the Block Head’s change of control and severance agreement, the Block Head will instead be entitled to a lump-sum payment equal to 75% of his annual base salary;
- a lump-sum payment equal to a pro rata portion (based on the number of full months the executive has worked during the performance period (measured as of the notice date we make a request for a Transition Period, if any) of the annual bonus that our named executive officer would have earned for the year of their termination if they had remained employed until eligible to receive the bonus;
- a taxable lump-sum payment equal to the monthly COBRA premium required to continue health insurance coverage for our named executive officer and their eligible dependents through the end of the Severance Period regardless of whether our named executive officer elects COBRA coverage. Under the Block Head’s change of control and severance agreement this taxable lump sum is equal to 9 months of such monthly COBRA premiums;

- if the termination is due to reasons other than cause (excluding by reason of death or disability), each of the named executive officer's then-outstanding time-based equity awards will immediately vest and become exercisable as to the number of shares subject to the time-based equity award that were otherwise scheduled to vest and become exercisable had the named executive officer remained employed with the company through the end of the Severance Period and no change of control occurred during the Severance Period. This provision does not apply to the Block Head's change of control and severance agreement; and
- if a termination (including an early termination of any company-requested Transition Period) occurs due to death or disability only, fully accelerated vesting and exercisability of all outstanding equity awards, and, with respect to equity awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels.

If, (i) within the three-month period before a change of control until the end of the 12-month period following such change of control (such period, the "Change of Control Period"), our named executive officer's employment is terminated by us without cause or due to their death or disability or our named executive officer resigns for "good reason" (as defined in their change of control and severance agreement), and (ii) (but not under the Block Head's agreement), our named executive officer has completed any company-requested Transition Period (excluding our named executive officer's early cessation of any such Transition Period due to their death or disability, or the company's termination of the Transition Period other than for cause before its schedule expiration), our named executive officer will be entitled to these benefits if they timely sign and do not revoke a release of claims:

- a lump-sum payment equal to 100% of their annual base salary as of immediately before their termination (or, if the termination is due to a resignation for good reason based on a material reduction in base salary, then as of immediately before such reduction), or, if such amount is greater, as of immediately before the change of control;
- a lump-sum payment equal to 100% of their target annual bonus (for the year of their termination);
- a taxable lump-sum payment equal to 12 months of the monthly COBRA premium required to continue health insurance coverage for our named executive officer and their eligible dependents regardless of whether our named executive officer elects COBRA coverage; and
- 100% accelerated vesting of all outstanding equity awards, and, with respect to equity awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at the greater of actual performance or 100% of target levels.

In addition, if any of the payments or benefits provided for under the change of control and severance agreements or otherwise payable to our named executive officer would constitute "parachute payments" within the meaning of Section 280G of the Code and could be subject to the related excise tax, they would be entitled to receive either full payment of such payments and benefits or such lesser amount that would cause no portion of the payments and benefits being subject to the excise tax, whichever results in the greater after-tax benefits to our named executive officer. The change of control and severance agreements do not require us to provide any tax gross-up payments to our named executive officers.

The following table summarizes the estimated payments and benefits that would be provided to our named executive officers upon termination and a change of control under our plans and arrangements with our named executive officers described above.

Name	Termination Without Cause Outside Change of Control Period			Termination by Death or Disability	Termination Without Cause or Good Reason Within Change of Control Period		
	Cash Compensation (\$)(1)	Health Care Benefits (\$)(2)	Acceleration of Equity Vesting (\$)(3)(4)	Acceleration of Equity Vesting (\$)(4)(5)	Cash Compensation (\$)(6)	Health Care Benefits (\$)(7)	Acceleration of Equity Vesting (\$)(4)(8)
Mr. Dorsey	2.06	—	—	—	2.75	—	—
Ms. Ahuja	250,000	15,979	6,220,485	28,124,169	500,000	31,958	28,124,169
Mr. Grassadonia	250,000	15,536	8,031,398	27,225,769	500,000	31,072	27,225,769
Ms. Henry	250,000	15,536	8,031,398	27,225,769	500,000	31,072	27,225,769
Ms. Whiteley	250,000	12,890	5,345,680	19,449,959	500,000	25,780	19,449,959

- (1) Cash compensation consists of a lump-sum payment equal to 180 days of annual base salary (for Mr. Dorsey, 75% of annual base salary) (as of immediately before their termination or, if the termination is due to a resignation for good reason based on a material reduction in base salary, then as of immediately before such reduction) and a lump-sum payment equal to a pro rata portion of the annual bonus that our named executive officer would have earned for the year of their termination if they had remained employed until eligible to receive the bonus at December 31, 2021.
- (2) Health care benefits consist of a taxable lump-sum payment equal to six months of the monthly COBRA premium required to continue health insurance coverage for our named executive officer and their eligible dependents regardless of whether our named executive officer elects COBRA coverage. Mr. Dorsey does not receive health insurance coverage from the Company.
- (3) For each named executive officer, other than our Block Head, we assumed 180 days of accelerated vesting of time-based equity awards. The Block Head's change of control and severance agreement does not include this provision.
- (4) For each named executive officer, the estimated benefit amount of unvested RSUs and RSAs was calculated by multiplying the number of unvested RSUs and RSAs by the closing price of our Class A common stock on December 31, 2021, which was \$161.51. The estimated benefit amount of unvested stock options was calculated by multiplying the number of unvested stock options subject to acceleration held by the applicable named executive officer by the difference between the exercise price of the option and the closing price of our Class A common stock on December 31, 2021, which was \$161.51.
- (5) For named executive officers, in the event of a termination due to death or disability, fully accelerated vesting and exercisability of all outstanding equity awards.
- (6) Cash compensation consists of a lump-sum payment equal to 100% of each named executive officer's annual base salary as of immediately before their termination (or, if the termination is due to a resignation for good reason based on a material reduction in base salary, then as of immediately before such reduction), or, if such amount is greater, as of immediately before the change of control, and a lump-sum payment equal to 100% of their target bonus for the year ended December 31, 2021.
- (7) Health care benefits consist of a taxable lump-sum payment equal to 12 months of the monthly COBRA premium required to continue health insurance coverage for our named executive officer and their eligible dependents regardless of whether our named executive officer elects COBRA coverage.
- (8) For each named executive officer, we assume 100% accelerated vesting of all outstanding equity awards.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes our equity compensation plan information as of December 31, 2021. Information is included for equity compensation plans approved by our stockholders. We do not have any equity compensation plans not approved by our stockholders.

Plan Category	Class of Common Stock	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(1)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	Class A(2)	15,579,668	\$69.76	140,056,034(3)
	Class B(4)	6,447,775	\$ 9.38	0
Equity compensation plans not approved by stockholders	—	—	—	—
Total	Class A and Class B	22,027,443	\$26.09	140,056,034

- (1) The weighted average exercise price is calculated based solely on outstanding stock options. It does not take into account the shares of our common stock underlying RSUs and RSAs, which have no exercise price, or any rights granted under our 2015 Employee Stock Purchase Plan, as amended and restated (the "ESPP").
- (2) Includes the following plans: our 2015 Plan and our ESPP. Our 2015 Plan provides that on the first day of each fiscal year beginning in fiscal 2016, the number of shares of Class A common stock available for issuance thereunder is automatically increased by a number equal to the least of (i) 40,000,000 shares, (ii) 5% of the outstanding shares of all classes of our common stock as of the last day of our immediately preceding fiscal year or (iii) such other amount as our board of directors may determine. Our ESPP provides that on the first day of each fiscal year beginning in fiscal 2016, the number of shares of Class A common stock available for issuance thereunder is automatically increased by a number equal to the least of (i) 8,400,000 shares, (ii) 1% of the outstanding shares of all classes of our common stock as of the last day of our immediately preceding fiscal year or (iii) such other amount as our board of directors may determine. On January 1, 2022, the number of shares of Class A common stock available for issuance under our 2015 Plan and our ESPP increased by 23,247,189 shares and 4,649,438 shares, respectively, pursuant to these provisions. These increases are not reflected in the table above.
- (3) Consists of 21,905,825 shares of Class A common stock available under our ESPP, including shares subject to outstanding rights that were under offering periods in progress as of December 31, 2021, and 118,150,209 shares of Class A common stock available under our 2015 Plan.
- (4) Consists of shares outstanding under awards made under our 2009 Plan. Block no longer grants awards from this Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 31, 2022 for:

- each of our current directors and nominees for director;
- each of our named executive officers;
- all of our current directors and executive officers as a group; and
- each person or group known by us to be the beneficial owner of more than 5% of our Class A or Class B common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable.

We have based our calculation of the percentage of beneficial ownership on 517,799,568 shares of our Class A common stock and 61,696,578 shares of our Class B common stock outstanding as of March 31, 2022. We have deemed shares of our common stock subject to stock options that are currently exercisable or exercisable within 60 days of March 31, 2022 or issuable pursuant to RSUs which are subject to vesting conditions expected to occur within 60 days of March 31, 2022 to be outstanding and to be beneficially owned by the person holding the stock option or RSU for the purpose of computing the percentage ownership of that person. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Block, Inc., 1455 Market Street, Suite 600, San Francisco, California 94103. The information provided in the table is based on our records, information filed with the SEC and information provided to us, except where otherwise noted.

<u>Name of Beneficial Owner</u>	<u>Class A Common Stock</u>		<u>Class B Common Stock+</u>		<u>Percent of Total Voting Power</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
Jack Dorsey(1)	—	*	48,844,566	79.17%	43.04%
Amrita Ahuja(2)	122,752	*	—	*	*
Brian Grassadonia(3)	512,480	*	797,116	1.28%	*
Alyssa Henry(4)	642,015	*	1,600,000	2.53%	1.45%
Sivan Whiteley(5)	207,989	*	17,292	*	*
Roelof Botha(6)	711,719	*	—	*	*
Amy Brooks(7)	6,236	*	—	*	*
Shawn Carter (8)	31,607	*	—	*	*
Paul Deighton(9)	30,185	*	—	*	*
Randall Garutti(10)	18,601	*	—	*	*

Name of Beneficial Owner	Class A Common Stock		Class B Common Stock+		Percent of Total Voting Power
	Number	Percent	Number	Percent	
James McKelvey(11)	125,061	*	12,259,025	19.87%	10.81%
Mary Meeker(12)	406,250	*	—	*	*
Anna Patterson(13)	13,571	*	—	*	*
Sharon Rothstein(14)	1,256	*	—	*	*
Lawrence Summers(15)	20,559	*	67,380	*	*
David Viniar(16)	72,066	*	253,200	*	*
Darren Walker(17)	2,968	*	—	*	*
All current executive officers and directors as a group (17 persons)(18)	2,925,315	0.56%	63,838,579	99.22%	55.18%

* Represents beneficial ownership of less than one percent (1%) of the outstanding shares of our common stock.

+ Options to purchase shares of our Class B common stock included in this table may be early exercisable. To the extent such shares have not yet vested as of a given date, such shares will remain subject to repurchase by us at the original purchase price. The Class B common stock is convertible at any time by the holder into shares of Class A common stock on a share-for-share basis, such that each holder of Class B common stock beneficially owns an equivalent number of Class A common stock.

- (1) Consists of (i) 36,763,992 shares of Class B common stock held of record by the Jack Dorsey Revocable Trust u/a/d 12/8/10, for which Mr. Dorsey serves as trustee, and (ii) 12,080,574 shares of Class B common stock held of record by Start Small LLC, for which Mr. Dorsey serves as sole member.
- (2) Consists of (i) 71,274 shares of Class A common stock held of record by Ms. Ahuja, and (ii) 46,143 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2022, of which 33,501 shares are vested as of such date, and (iii) 5,335 shares of Class A common stock subject to RSUs that vest within 60 days of March 31, 2022.
- (3) Consists of (i) 86,555 shares of Class A common stock held of record by Mr. Grassadonia, (ii) 797,116 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2022, of which all shares are vested as of such date, (iii) 420,590 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2022, of which 405,158 shares are vested as of such date, and (iv) 5,335 shares of Class A common stock subject to RSUs that vest within 60 days of March 31, 2022.
- (4) Consists of (i) 337,529 shares of Class A common stock held of record by Ms. Henry, (ii) 1,600,000 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2022, of which all shares are vested as of such date, (iii) 299,151 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2022, of which 283,719 shares are vested as of such date, and (iv) 5,335 shares of Class A common stock subject to RSUs that vest within 60 days of March 31, 2022.
- (5) Consists of (i) 33,385 shares of Class A common stock held of record by Ms. Whiteley, (ii) 17,292 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2022, of which all shares are vested as of such date, (iii) 170,784 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2022, of which 160,496 shares are vested as of such date, and (iv) 3,820 shares of Class A common stock subject to RSUs that vest within 60 days of March 31, 2022.

- (6) Consists of (i) 11,251 shares of Class A common stock held of record by Mr. Botha, (ii) a total of 684,741 shares of Class A common stock held of record by Mr. Botha's estate planning vehicles, (iii) 1,862 shares of Class A common stock held of record by Sequoia Capital U.S. Growth Fund IV, L.P., (iv) 77 shares of Class A common stock held of record by Sequoia Capital USGF Principals Fund IV, L.P. (the funds (iii)-(iv) collectively, the "SC USGF Funds"), (v) 11,388 shares of Class A common stock held of record by Sequoia Capital U.S. Venture Fund XV, L.P., (vi) 1,750 shares of Class A common stock held of record by Sequoia Capital U.S. Venture XV Principal's Fund, L.P., (vii) 479 shares of Class A common stock held of record by Sequoia Capital U.S. Venture Partners Fund XV (Q), L.P., and (viii) 171 shares of Class A common stock held of record by Sequoia Capital U.S. Venture Partners Fund XV, L.P. (the funds (v)-(viii) collectively, the "SC USV XV Funds"). SC US (TTGP), Ltd., where Mr. Botha is a director, is the general partner of SCGF IV Management, L.P., which is the general partner of the SC USGF Funds. SC US (TTGP), Ltd. is the general partner of SC U.S. Venture XV Management, L.P., which is the general partner of the SC USV XV Funds. Mr. Botha may be deemed to share voting or investment control with respect to the securities held by the SC USGF and SC USV XV Funds. The address of each Sequoia entity is 2800 Sand Hill Road, Suite 101, Menlo Park, CA 94025.
- (7) Consists of (i) 6,236 shares of Class A common stock held of record by Ms. Brooks.
- (8) Consists of (i) 8,720 shares of Class A common stock held of record by Mr. Carter, (ii) 1,779 shares of Class A common stock held of record by an immediate family member, (iii) 20,812 shares of Class A common stock held of record by SC Panther, LLC, and (iv) 296 shares of Class A common stock held of record by SC Vessel 5, LLC, both of which Mr. Carter is the sole member.
- (9) Consists of (i) 30,185 shares of Class A common stock held of record by Mr. Deighton.
- (10) Consists of (i) 18,601 shares of Class A common stock held of record by Mr. Garutti.
- (11) Consists of (i) 61 shares of Class A common stock held of record by Mr. McKelvey, (ii) 12,259,025 shares of Class B common stock held of record by the James McKelvey, Jr. Revocable Trust dated July 2, 2014, for which Mr. McKelvey serves as trustee, and (iii) 125,000 shares of Class A common stock held of record by the Anna Elefteria Ntenta Revocable Trust dated November 30, 2017.
- (12) Consists of (i) 400,433 shares of Class A common stock held of record by Ms. Meeker, and (ii) 5,817 shares of Class A common stock held in the name of KPCB sFund Associates, LLC ("sFund Associates"), where Ms. Meeker is a member, which is the managing member of KPCB sFund, LLC ("sFund") and, therefore, Ms. Meeker may be deemed to share voting or investment control with respect to the shares held by sFund Associates and sFund. The address of each is 2750 Sand Hill Road, Menlo Park, CA 94025.
- (13) Consists of (i) 13,571 shares of Class A common stock held of record by Dr. Patterson.
- (14) Consists of (i) 1,256 CDIs, each representing an ownership interest in a share of Class A common stock of Block, held of record by Ms. Rothstein.
- (15) Consists of (i) 20,559 shares of Class A common stock and 67,380 shares of Class B common stock held of record by Dr. Summers.
- (16) Consists of (i) 71,994 shares of Class A common stock and 26,250 shares of Class B common stock held of record by Mr. Viniar, (ii) 226,950 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2022, all of which shares are vested as of such date, and (iii) 72 CDIs, each representing an ownership interest in a share of Class A common stock of Block held in the name of Viniar Family LLC, of which Mr. Viniar is a managing member.
- (17) Consists of (i) 2,968 shares of Class A common stock held of record by Mr. Walker.
- (18) Consists of (i) 1,968,822 shares of Class A common stock, of which 1,328 are CDIs, each representing an ownership interest in a share of Class A common stock of Block, and 61,197,221 shares of Class B common stock held of record by our current executive officers and directors, (ii) 936,668 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2022, of which 882,874 are vested as of such date, (iii) 2,641,358 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2022, all of which are vested as of such date, and (iv) 19,825 shares of Class A common stock subject to RSUs that vest within 60 days of March 31, 2022.

PAY RATIO DISCLOSURE

As required by Section 953(b) of the Dodd-Frank Act and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Dorsey, our Block Head.

For 2021, our last completed fiscal year:

- the median of the annual total compensation of all our employees (determined as described below, and other than our Block Head) was \$169,093; and
- the annual total compensation of our Block Head, as reported in the Summary Compensation Table included elsewhere in this proxy statement, was \$2.75.

Based on this information, for 2021, the annual total compensation of our Block Head was less than 0.0001 times that of the median of the annual total compensation for all employees. This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of our median employee and our Block Head, we took the following steps:

1. We determined that, as of December 31, 2021, our employee population consisted of 8,525 individuals working at our parent company and consolidated subsidiaries with approximately 8,109 of these individuals located in the U.S., Canada, Australia and Ireland (approximately 7,168 in the U.S., 495 in Canada, 302 in Australia, and 144 in Ireland). This population consisted of our full-time and part-time employees. As noted below, it did not include independent contractors. We did not retain or engage any temporary workers or similar workers as of December 31, 2021.
2. We have chosen to exclude the approximately 416 employees located outside of the U.S., Canada, Australia, and Ireland (140 in Norway, 72 in Japan, 57 in the United Kingdom, 21 in China, 97 in Spain, 7 in Germany, 7 in Poland, 5 in Brazil, 4 in Sweden, 3 in Lithuania, 2 in Taiwan, and 1 in the Netherlands) from the determination of the “median employee,” given the small number of employees in those jurisdictions and the estimated costs of obtaining their compensation information. In total, we excluded certain non-U.S. employees comprising less than 5% of our total workforce from the identification of the “median employee,” as permitted by SEC rules.
3. To identify the “median employee” from our U.S., Canada, Australia and Ireland employee population, we combined the actual salary, bonus, commissions and other taxable benefits (other than related to equity awards and our ESPP) as reflected in our payroll records as reported to the Canada Revenue Agency on Form T4, the Internal Revenue Service on Form W-2, the Australian Taxation Office and the Ireland Revenue Agency on the Statement of Liability through its electronic processes for 2021, as well as the match paid to our U.S. employees under our 401(k) Plan and the aggregate grant date fair value of equity awards granted to employees in 2021.
4. We identified our median employee using this compensation measure, which was consistently applied to all our employees included in the calculation. We did not make any cost-of-living adjustments in identifying the “median employee.”

5. Once we identified our median employee, we combined all of the elements of such employee's compensation for 2021 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of \$169,093.
6. With respect to the annual total compensation of our Block Head, we used the amount reported in the "Total Compensation" column of our 2021 Summary Compensation Table included in this proxy statement.

CERTAIN RELATIONSHIPS, RELATED PARTY AND OTHER TRANSACTIONS

We describe below transactions and series of similar transactions, since the beginning of our last fiscal year, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, nominees for director, executive officers or beneficial holders of more than 5% of any class of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

Our audit and risk committee reviewed and approved each of the transactions described below pursuant to our related person transactions policy.

Twitter

We engage Twitter, Inc. (“Twitter”) to provide certain marketing and advertising services (the “Twitter Services”). During the fiscal year ended December 31, 2021, we purchased approximately \$2.4 million of marketing and advertising services from Twitter, including direct purchases and purchases through third-party agencies.

Jack Dorsey, our Block Head and the Chairperson of our board of directors, served as the Chief Executive Officer of Twitter until November 2021 and currently serves as a director of Twitter. As a result, Mr. Dorsey may be deemed to have an indirect material interest in the Twitter Services.

Shake Shack

We are party to an amended and restated enterprise services agreement and a Cash App boost agreement with Shake Shack Enterprises, LLC, a subsidiary of Shake Shack Inc. (“Shake Shack”), pursuant to which we provide certain products and services related to payment processing, software as a service, hardware and instant rewards (collectively, the “Shake Shack Services”). In January 2021, we extended our Cash Boosts partnership with Shake Shack. During the fiscal year ended December 31, 2021, we received approximately \$2.9 million in revenue from the Shake Shack Services and Cash Boosts partnership and made approximately \$25,000 in payments to Shake Shack in connection with the Cash Boosts partnership.

Additionally, a subsidiary of Shake Shack was sued in federal court for allegedly infringing a patent owned by Electronic Receipts Delivery Systems, LLC (“ERDS”) because of its use of one of our applications to send out digital receipts. Since Shake Shack was sued for allegedly using one of our products, in 2020 we agreed to defend Shake Shack against ERDS and to indemnify Shake Shack for any liabilities or expenses it incurs as a result of the lawsuit to the extent that the claims are being directed at our products or services (the “Shake Shack Indemnification,” and together with the “Shake Shack Services,” the “Shake Shack Transactions”). During the fiscal year ended December 31, 2021, we did not make any payments in connection with the Shake Shack Indemnification, but payments made in connection with the Shake Shack Indemnification may exceed \$120,000 over time.

Randy Garutti, a member of our board of directors, is a director and Chief Executive Officer of Shake Shack. As a result, Mr. Garutti may be deemed to have an indirect material interest in the Shake Shack Transactions.

St. Louis Lease

As previously disclosed, in July 2019, we entered into a lease agreement with 900 N. Tucker Building, LLC (“900 N. Tucker”) for a 15.5-year lease of office space in St. Louis, Missouri (the “St. Louis Lease”). Block began occupying the office space in July 2021. During the fiscal year ended December 31, 2021, we made approximately \$1.3 million in payments in connection with the St. Louis Lease. During the fiscal year ending December 31, 2022, we expect to make monthly lease payments in accordance with the previously disclosed terms of the St. Louis Lease, as well as associated costs such as parking fees, management fees and annual direct expenses (e.g., operating and tax expenses). We expect that these lease payments will be offset, in part, by tenant improvement allowances under the terms of the St. Louis Lease.

Jim McKelvey, our co-founder and a member of our board of directors, is affiliated with 900 N. Tucker. As a result, Mr. McKelvey may be deemed to have an indirect material interest in the St. Louis Lease.

TIDAL Acquisition Consideration

We acquired a majority ownership stake in TIDAL in April 2021 and as part of the acquisition’s consideration Mr. Shawn Carter directly and indirectly through entities affiliated with him, received approximately \$63.4 million in the aggregate, and a family member received approximately \$450,000, in each case, in the form of cash and common stock (the “Acquisition Consideration”). Mr. Carter was also reimbursed \$4.5 million in connection with certain insurance expenses related to the transaction.

Shawn Carter, who was appointed as a member of our board of directors upon the acquisition’s closing, retains a minority interest in TIDAL’s parent company.

Roc Nation

In connection with our acquisition of a majority ownership stake in TIDAL, we entered into a sublease agreement with Roc Nation, an entertainment company, in April 2021 for approximately 15,875 square feet of office space in New York City at an annual base rate of approximately \$1.5 million (the “Roc Nation Sublease”). The Roc Nation Sublease has a term of one-year, during which time it was expected that members of the TIDAL team would occupy the space. The Roc Nation Sublease was terminated in October 2021. During the fiscal year ended December 31, 2021, we made approximately \$700,000 in payments in connection with the Roc Nation Sublease.

Additionally, we entered into one-year partnerships with two musical artists represented by Roc Nation for certain Cash App marketing campaigns (the “Roc Nation Marketing Services”). During the fiscal year ended December 31, 2021, we made approximately \$165,000 in payments in connection with the Roc Nation Marketing Services under this partnership. We also engaged Roc Nation and its affiliate ESM Productions LLC (“ESM”) for broadcast and artist services for TIDAL’s stage at certain music concerts (“Roc Nation Concert Services”). During the fiscal year ended December 31, 2021, we made approximately \$260,000 in payments to ESM and approximately \$192,000 to Roc Nation in connection with Roc Nation Concert Services.

Further, TIDAL engaged ESM in June 2021 for certain production services for a documentary entitled “Triumph Over Trauma: Black Wall Street Then and Now” (the “ESM Production Services”). During the fiscal year ended December 31, 2021, we made approximately \$350,000 in payments in connection with the ESM Production Services under this engagement.

Mr. Carter has an ownership interest in Roc Nation and is its co-founder. Roc Nation holds an approximate 50% ownership interest in ESM. As a result, Mr. Carter may be deemed to have an indirect material interest in the Roc Nation Sublease, Roc Nation Marketing Services, Roc Nation Concert Services, and ESM Production Services.

SubX

We engaged SubX Live, Inc., a software development company (“SubX”) to perform certain SaaS services relating to the development and customization of trivia platform experience for Cash App (the “SubX Services”). During the fiscal year ended December 31, 2021, we made \$150,000 in payments in connection with the SubX Services.

Harpreet Marwaha, the spouse of our Chief Financial Officer Amrita Ahuja, is the chief executive officer and majority shareholder of SubX. As a result, Ms. Ahuja may be deemed to have an indirect material interest in the SubX Services.

Morgan Stanley

In June 2021, we engaged Morgan Stanley as our financial advisor in connection with our acquisition of Afterpay (the “MS Services”). During the fiscal year ending December 31, 2021, we paid \$5 million upon the acquisition’s signing in connection with the MS Services. The MS Services closing payment in the amount of \$25 million was made after the acquisition closed in January 2022.

During 2021, Morgan Stanley held greater than 5% of the outstanding shares of our Class A common stock. As a result, Morgan Stanley may be deemed to have an indirect material interest in the MS Services.

Other Transactions

We have entered into change of control and severance agreements with our current executive officers that, among other things, provide for certain severance and change of control benefits. See the section titled “Executive Compensation—Potential Payments on Termination or Change of Control.”

We have entered into indemnification agreements with our directors and executive officers. The indemnification agreements, our amended and restated certificate of incorporation and amended and restated bylaws require us to indemnify our directors and executive officers to the fullest extent permitted by Delaware law.

A family member of Brian Grassadonia, our Cash App Lead, is employed by us in a non-executive position. The approximate dollar value of the employee’s total cash and equity compensation for the year ended December 31, 2021 was less than \$280,000. The family member also receives benefits consistent with other employees serving in the same capacity.

Other than as described above, since January 1, 2021, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest.

Policies and Procedures for Related Party Transactions

Our audit and risk committee has the primary responsibility for reviewing and approving or disapproving “related party transactions,” which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed \$120,000 and in

which a related person has or will have a direct or indirect material interest. The charter of our audit and risk committee provides that our audit and risk committee shall review and approve any related party transaction for which review or oversight is required by applicable law or that is required to be disclosed in our financial statements or SEC filings.

We have a formal written policy providing that our audit and risk committee must pre-approve any transaction that exceeds \$120,000 and in which any related person has a direct or indirect material interest. In approving or rejecting any such transaction, our audit and risk committee is to consider the relevant facts and circumstances available and deemed relevant to our audit and risk committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, whether such transaction would impair the independence of an outside director, whether such transaction would present an improper conflict of interest for any director or executive officer of our company, whether the transaction is part of the ordinary course of business and the extent of the related person's interest in the transaction. Any member of the audit and risk committee who has an interest in a potential related party transaction under discussion will abstain from voting on the approval of such transaction. If a related party transaction will be ongoing, the audit and risk committee may establish guidelines for us to follow in our ongoing dealings with the related party.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND OUR ANNUAL MEETING

This proxy statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by our board of directors for use at the Annual Meeting. The Annual Meeting will be held virtually on Tuesday, June 14, 2022, at 10:00 a.m. (U.S. Pacific Time). The Annual Meeting will be a completely virtual meeting. Stockholders can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/SQ2022, where you will be able to listen to the meeting live, submit questions and vote your shares online during the meeting. CDI holders can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/SQ2022 as a guest, where you will be able to listen to the meeting live. The Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access this proxy statement and our annual report is first being mailed on or about April 28, 2022 (U.S. Eastern Time) to all stockholders entitled to vote at the Annual Meeting, and the CDI Notice of Access Letter is being mailed or emailed from Australia to CDI holders on or about April 29, 2022 (Australia time).

The information provided in the “question and answer” format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully. Information contained on, or that can be accessed through, our website is not intended to be incorporated by reference into this proxy statement, and references to our website address in this proxy statement are inactive textual references only.

What matters am I voting on?

You will be voting on:

- The election of two Class I directors to serve until the 2025 annual meeting of stockholders and until their successors are duly elected and qualified;
- The approval, on an advisory basis, of the compensation of our named executive officers;
- The approval, on an advisory basis, of the frequency of future stockholder advisory votes on the compensation of our named executive officers;
- The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022;
- A stockholder proposal, if properly presented at the annual meeting; and
- The transaction of such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

How does the board of directors recommend I vote on these proposals?

Our board of directors recommends a vote:

- “FOR” the election of each of Jack Dorsey and Paul Deighton as Class I directors;
- “FOR” the approval, on an advisory basis, of the compensation of our named executive officers;
- for the approval, on an advisory basis, of “ONE YEAR”, as the frequency of future stockholder advisory votes on the compensation of our named executive officers;
- “FOR” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022; and
- “AGAINST” the stockholder proposal regarding a change in stockholder voting.

Who is entitled to vote?

Holders of our Class A common stock, or Class B common stock as of the close of business on April 21, 2022 (U.S. Eastern Time), the record date for the Annual Meeting, may vote at the Annual Meeting, and holders of our CDIs as of the close of business on April 21, 2022 (U.S. Eastern Time) may attend the Annual Meeting as guests but cannot vote at the Annual Meeting. Instead, CDI holders must vote the Class A common stock underlying their CDIs before 11:59 p.m. (Australian Eastern Standard Time) on Wednesday, June 8, 2022. Shares of our Class A common stock also trade on the Australian Stock Exchange, or ASX, in the form of CDIs. Each CDI represents a beneficial interest in one share of our Class A common stock. As of the record date, there were 518,695,380 shares of our Class A common stock outstanding (including 43,942,303 CDIs exchangeable into shares of our Class A common stock) and 61,696,578 shares of our Class B common stock outstanding. Our Class A common stock and Class B common stock will vote as a single class on all matters described in this proxy statement for which your vote is being solicited. Stockholders are not permitted to cumulate votes with respect to the election of directors. Each share of Class A common stock is entitled to one vote on each proposal and each share of Class B common stock is entitled to 10 votes on each proposal. Our Class A common stock and Class B common stock are collectively referred to in this proxy statement as our “common stock.”

Registered Stockholders. If shares of our common stock are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice was provided to you directly by us. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote live at the Annual Meeting. Throughout this proxy statement, we refer to these registered stockholders as “stockholders of record.”

Street Name Stockholders. If shares of our common stock are held on your behalf in a brokerage account or by a bank or other nominee, you are considered to be the beneficial owner of shares that are held in “street name,” and the Notice was forwarded to you by your broker or nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or other nominee as to how to vote your shares. You are also invited to attend the Annual Meeting and vote your shares of our common stock live by following the instructions provided on your Notice or the instructions that accompanied your proxy materials to attend the Annual Meeting. If you request a printed copy of our proxy materials by mail, your broker, bank or other nominee will provide a voting instruction form for you to use. Throughout this proxy statement, we refer to stockholders who hold their shares through a broker, bank or other nominee as “street name stockholders.”

CDI Holders. If you own Block CDIs, then you are the beneficial owner of one share of Block Class A common stock for every CDI you own. Legal title is held by CHESSE Depository Nominees Pty Limited, or CDN. CDN is considered the stockholder of record for purposes of voting at our annual meeting. As the beneficial owner, you have the right to direct CDN on how to vote the shares in your account. As a beneficial owner, you are invited to attend the Annual Meeting as a guest, however, because you are not a stockholder of record, you cannot vote the shares underlying your CDIs and/or ask questions in person at the virtual Annual Meeting. We encourage CDI holders to lodge their votes online prior to the Annual Meeting. CDI holders can direct CDN to vote on their behalf by lodging a vote by contacting Computershare Australia using the details on the Notice of Access Letter to request a hard copy of the CDI voting form to be sent in the mail to their registered address, or through our online voting site at www.investorvote.com.au before 11:59 pm (Australian Eastern Standard Time) on Wednesday, June 8, 2022.

How many votes are needed for approval of each proposal?

- *Proposal No. 1:* The election of directors requires a plurality of the voting power of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon to be approved. “Plurality” means that the two nominees who receive the largest number of votes cast “For” such nominees are elected as directors. As a result, any shares not voted “For” a particular nominee, whether as a result of a withhold vote or a broker non-vote (described below), will not be counted in such nominee’s favor and will have no effect on the outcome of the election. You may vote “For” or “Withhold” on each of the nominees for election as a director.
- *Proposal Nos. 2, 4 and 5:* The non-binding advisory vote on our executive compensation, approval of the ratification of the appointment of the independent registered public accounting firm, and stockholder proposal regarding a change in stockholder voting each requires the affirmative vote of a majority of the voting power of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon to be approved. You may vote “For,” “Against” or “Abstain” with respect to these proposals. Abstentions are considered shares present and entitled to vote on these proposals, and thus, will have the same effect as a vote “Against” these proposals. To the extent there are any broker non-votes, they will have no effect on the outcome of these proposals.
- *Proposal No. 3:* For the non-binding advisory vote on the frequency of future stockholder advisory votes on the compensation of our named executive officers, the frequency receiving the highest number of votes from the holders of shares of common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon will be considered the frequency preferred by the stockholders. If you “Abstain” from voting on this proposal, it will have no effect on the outcome. Broker non-votes also will have no effect on the outcome of this proposal.

With respect to the approval of our executive compensation, the frequency of stockholder advisory votes on the compensation of our named executive officers and the stockholder proposal, because these proposals are an advisory vote, the result will not be binding on our board of directors, our compensation committee or the Company. However, our board of directors and our compensation committee will consider the outcome of the votes on executive compensation and frequency of stockholder advisory votes on the compensation of our named executive officers when determining named executive officer compensation and how often we should submit to stockholders an advisory vote on the compensation of our named executive officers, respectively. In addition, the board of directors will take into account the outcome of the vote regarding the stockholder proposal.

What is a quorum?

A quorum is the minimum number of shares required to be present at the Annual Meeting to properly hold an annual meeting of stockholders and conduct business under our amended and restated bylaws and Delaware law. The presence, virtually or by proxy, of a majority of the voting power of all issued and outstanding shares of our common stock entitled to vote at the Annual Meeting will constitute a quorum at the Annual Meeting. Abstentions, withhold votes and broker non-votes are counted as shares present and entitled to vote for purposes of determining a quorum.

How do I vote?

If you are a stockholder of record, there are four ways to vote:

- by Internet at www.proxyvote.com or via the QR code on your Notice or proxy card, 24 hours a day, seven days a week, until 11:59 p.m. (U.S. Eastern Time) on June 13, 2022 (please have your Notice or proxy card in hand when you visit the website);
- by toll-free telephone at 1-800-690-6903, until 11:59 p.m. (U.S. Eastern Time) on June 13, 2022 (please follow the instructions on your proxy card or voting instruction form from your broker provided to you by email or over the Internet);
- by completing and mailing your proxy card (if you received printed proxy materials) to be received prior to the Annual Meeting; or
- by attending the Annual Meeting by visiting www.virtualshareholdermeeting.com/SQ2022, where you may vote and submit questions during the meeting. Please have your Notice, proxy card or the instructions that accompanied your proxy materials in hand when you visit the website.

Even if you plan to attend the Annual Meeting, we recommend that you also vote by proxy so that your vote will be counted if you later decide not to attend the Annual Meeting.

If you are a street name stockholder, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee in order to direct your broker, bank or other nominee on how to vote your shares. Street name stockholders should generally be able to vote by returning a voting instruction form and may be able to vote by telephone or on the Internet, depending on the voting process of your broker, bank or other nominee. As discussed above, if you are a street name stockholder, you may not vote your shares live at the virtual Annual Meeting unless you obtain a legal proxy from your broker, bank or other nominee.

If you are a CDI holder, you may instruct CDN to vote the Class A common stock underlying your CDIs on your behalf by directing CDN how to vote by contacting Computershare Australia using the details on the Notice of Access Letter to request a hard copy of the CDI voting form to be sent in the mail to your registered address, or lodging a vote through our online voting site at www.investorvote.com.au before 11:59 p.m. (Australian Eastern Standard Time) on Wednesday, June 8, 2022.

Can I change my vote or revoke my proxy?

Yes. If you are a stockholder of record, you can change your vote or revoke your proxy any time before the Annual Meeting by:

- entering a new vote by Internet or by telephone;
- completing and returning a later-dated proxy card;
- notifying the Corporate Secretary of Block, Inc., in writing, at Block, Inc., 1455 Market Street, Suite 600, San Francisco, California 94103; or
- attending and voting at the Annual Meeting (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

If you are a street name stockholder, your broker, bank or other nominee can provide you with instructions on how to change or revoke your vote.

If you own CDIs, you can change or revoke your vote by visiting our online voting site at www.investorvote.com.au before 11:59 p.m. (Australian Eastern Standard Time) on Wednesday, June 8, 2022.

What do I need to do to attend and participate in the Annual Meeting?

The Annual Meeting will again be a completely virtual meeting of stockholders, which we believe provides the opportunity for participation by a broader group of stockholders while reducing the environmental impact and the costs associated with in-person meetings. Stockholders of record and street name stockholders with a legal proxy from their broker, bank or other nominee will be able to attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/SQ2022, which will allow such stockholders to submit questions during the meeting and vote shares electronically at the meeting. CDI holders can visit our online voting site at www.investorvote.com.au and submit a question before 11:59 p.m. (Australian Eastern Standard Time) on Wednesday, June 8, 2022.

We designed the format of the virtual Annual Meeting to ensure that our stockholders are afforded the same rights and opportunities to participate as they would at an in-person meeting and to enhance stockholder access, participation and communication through online tools. The virtual format facilitates stockholder attendance and participation by enabling stockholders to participate fully and equally from any location around the world. During the meeting, stockholders of record and street name stockholders with a legal proxy from their broker, bank or other nominee will have the ability to submit questions real-time via the virtual meeting website, with a limit of one question per stockholder. CDI holders will not have the ability to submit questions real-time via the virtual meeting website but CDI holders can visit our online voting site at www.investorvote.com.au and submit a question before 11:59 p.m. (Australian Eastern Standard Time) on Wednesday, June 8, 2022. We will answer as many questions submitted in accordance with the meeting rules of conduct as possible in the time allotted for the meeting. Only questions that are relevant to our business operations will be answered.

To participate in the Annual Meeting, you will need the control number included on your Notice, proxy card or the instructions that accompanied your proxy materials to attend the annual meeting. As a beneficial owner of our Class A common stock, CDI holders are invited to attend the Annual Meeting as a guest by visiting www.virtualshareholdermeeting.com/SQ2022, where you will be able to listen to the meeting live. The Annual Meeting webcast will begin promptly at 10:00 a.m. (U.S. Pacific Time). We encourage you to access the meeting prior to the start time. Online check-in will begin at 9:45 a.m. (U.S. Pacific Time), and you should allow ample time for the check-in procedures.

What if during the check-in time or during the meeting I have technical difficulties or trouble accessing the virtual meeting website?

We will have technicians to assist you if you experience technical difficulties accessing the virtual meeting. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call 844-986-0822 (domestic) or 303-562-9302 (international).

What is the effect of giving a proxy?

Proxies are solicited by and on behalf of our board of directors. Jack Dorsey, Amrita Ahuja and Sivan Whiteley have been designated as proxy holders by our board of directors. When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations

of our board of directors as described above. If any matters not described in this proxy statement are properly presented at the Annual Meeting pursuant to our amended and restated bylaws, the proxy holders will use their own judgment to determine how to vote the shares. If the Annual Meeting is adjourned or postponed, the proxy holders can vote the shares on the new Annual Meeting date as well, unless you have properly revoked your proxy instructions, as described above.

Why did I receive a Notice of Internet Availability of Proxy Materials instead of a full set of proxy materials?

In accordance with the rules of the SEC, we have elected to furnish our proxy materials, including this proxy statement and our annual report, primarily via the Internet. The Notice containing instructions on how to access our proxy materials is first being mailed on or about April 28, 2022 (U.S. Eastern Time) to all stockholders entitled to vote at the Annual Meeting. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice (www.proxyvote.com). Stockholders may also request to receive proxy materials for this Annual Meeting or future meetings of stockholders in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of our proxy materials on the Internet to help reduce the environmental impact and cost of our annual meetings of stockholders.

Why did I receive a Notice of Access Letter instead of a full set of proxy materials?

If you hold CDIs listed on the ASX, you will receive your Notice of Access Letter from Computershare Australia. If you received the Notice of Access Letter by electronic mail or mail, you will not automatically receive a printed copy of the proxy materials in the mail. Instead, the Notice of Access Letter tells you how to use the Internet to access and review this proxy statement, our annual report on Form 10-K, and how you may submit your proxy via the Internet or how to request a hard copy of the CDI voting form to be sent in the mail to your registered address.

How are proxies solicited for the Annual Meeting?

Our board of directors and employees are soliciting proxies for the Annual Meeting. All expenses associated with this solicitation will be borne by us. We will reimburse brokers or other nominees for reasonable expenses that they incur in sending our proxy materials to you if a broker, bank or other nominee holds shares of our common stock on your behalf. In addition, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Our directors and employees will not be paid any additional compensation for soliciting proxies.

How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?

Brokerage firms and other intermediaries holding shares of our common stock in street name for beneficial owners are generally required to vote such shares in the manner directed by such beneficial owners. In the absence of timely directions, your broker will have discretion to vote your shares on our sole “routine” matter: the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022. Your broker will not have discretion to vote on any other proposals, which are “non-routine” matters, absent direction from you. We refer to the absence of a vote, including on a non-routine proposal, where the broker has not received instructions as a “broker non-vote.”

Where can I find the voting results of the Annual Meeting?

We will announce preliminary voting results at the Annual Meeting. We will also disclose voting results on a Current Report on Form 8-K that we will file with the SEC within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Current Report on Form 8-K within four business days after the Annual Meeting, we will file a Current Report on Form 8-K to publish preliminary results and will provide the final results in an amendment to the Current Report on Form 8-K as soon as they become available.

I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

We have adopted a procedure called “householding,” which the SEC has approved. Under this procedure, we deliver a single copy of the Notice and, if applicable, our proxy materials to multiple stockholders who share the same address, unless we have received contrary instructions from one or more of such stockholders. This procedure reduces our printing and mailing costs and fees. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards.

If you are a stockholder of record, upon written or oral request, we will promptly deliver a separate copy of the Notice and, if applicable, our proxy materials to such stockholder at a shared address to which we delivered a single copy of any of these materials. To receive a separate copy, or, if a stockholder of record is receiving multiple copies, to request that we only send a single copy of the Notice and, if applicable, our proxy materials, such stockholder may contact Broadridge Financial Solutions, Inc. (“Broadridge”):

- By Internet: www.proxyvote.com
- By telephone: 1-800-579-1639
- By email: sendmaterial@proxyvote.com

Additionally, stockholders of record who share the same address and receive multiple copies of the Notice can request a single Notice by contacting Broadridge at the address, email address or telephone number above.

Street name stockholders may contact their broker, bank or other nominee to request information about householding.

If you are a CDI holder, you will receive your Notice of Access Letter from Computershare. If you received the Notice of Access Letter by electronic mail or mail, you will not automatically receive a printed copy of the proxy materials in the mail. Multiple CDI holders who share the same address will receive their own copy of the Notice of Access Letter, so long as each CDI holder is registered separately on the register or with the ASX.

What is the deadline to propose actions for consideration at next year’s annual meeting of stockholders or to nominate individuals to serve as directors?

Stockholder Proposals

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at next year’s annual meeting of stockholders by submitting their proposals in writing to our Corporate Secretary in a timely manner. For a stockholder proposal to be considered for inclusion in our proxy statement for the 2023 annual meeting of stockholders, our Corporate Secretary must receive the written proposal at our principal executive offices not later

than December 29, 2022 (U.S. Eastern Time). In addition, stockholder proposals must comply with the requirements of Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Stockholder proposals should be addressed to:

Block, Inc.
Attention: Corporate Secretary
1455 Market Street, Suite 600
San Francisco, California 94103

Our amended and restated bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement. Our amended and restated bylaws provide that the only business that may be conducted at an annual meeting of stockholders is business that is (i) specified in our proxy materials with respect to such annual meeting, (ii) otherwise properly brought before such annual meeting by or at the direction of our board of directors or (iii) properly brought before such annual meeting by a stockholder of record entitled to vote at such annual meeting who has delivered timely written notice to our Corporate Secretary, which notice must contain the information specified in our amended and restated bylaws. To be timely for the 2023 annual meeting of stockholders, our Corporate Secretary must receive the written notice at our principal executive offices:

- not earlier than the close of business on February 14, 2023; and
- not later than the close of business on March 16, 2023.

In the event that we hold the 2023 annual meeting of stockholders more than 30 days before or more than 60 days after the one-year anniversary of the Annual Meeting, notice of a stockholder proposal that is not intended to be included in our proxy statement must be received no earlier than the close of business on the 120th day before the 2023 annual meeting of stockholders and no later than the close of business on the later of the following two dates:

- the 90th day prior to the 2023 annual meeting of stockholders; or
- the 10th day following the day on which public announcement of the date of the 2023 annual meeting of stockholders is first made if such first public announcement is less than 100 days prior to the date of the 2023 annual meeting of stockholders.

If a stockholder who has properly notified us of their or its intention to present a proposal at an annual meeting of stockholders does not appear to present their or its proposal at such annual meeting, we are not required to present the proposal for a vote at such annual meeting.

Recommendation and Nomination of Director Candidates

Holders of our common stock may propose director candidates for consideration by our nominating and corporate governance committee. Any such recommendations should include the nominee's name and qualifications for membership on our board of directors and should be directed to our Chief Legal Officer or legal department at the address set forth above. For additional information regarding stockholder recommendations for director candidates, see the section titled "Board of Directors and Corporate Governance—Stockholder Recommendations and Nominations to the Board of Directors."

In addition, our amended and restated bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our amended and restated bylaws. In addition, the stockholder must give timely notice to our Corporate Secretary in accordance with our amended

and restated bylaws, which, in general, require that the notice be received by our Corporate Secretary within the time periods described above under the section titled “Stockholder Proposals” for stockholder proposals that are not intended to be included in a proxy statement.

Availability of Bylaws

A copy of our amended and restated bylaws is available on our website at <https://investors.block.xyz> and via the SEC’s website at <https://www.sec.gov>. You may also contact our Corporate Secretary at the address set forth above for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

OTHER MATTERS

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during our fiscal year ended December 31, 2021, all Section 16(a) filing requirements were satisfied on a timely basis, except with respect to one Form 4 reporting one transaction by Roelof Botha and one Form 4 reporting two transactions by Shawn Carter that were not timely filed.

Fiscal Year 2021 Annual Report and SEC Filings

Our financial statements for our fiscal year ended December 31, 2021 are included in our Annual Report on Form 10-K, which we will make available to stockholders along with this proxy statement. This proxy statement and our annual report are posted on our website at <https://investors.block.xyz> and are available from the SEC at its website at <https://www.sec.gov>. You may also obtain a copy of our annual report without charge by sending a written request to Block, Inc., Attention: Investor Relations, 1455 Market Street, Suite 600, San Francisco, California 94103.

* * *

The board of directors does not know of any other matters to be presented at the Annual Meeting. If any additional matters are properly presented at the Annual Meeting, the persons named in the enclosed proxy card will have discretion to vote the shares of our common stock they represent in accordance with their own judgment on such matters.

It is important that your shares of our common stock be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone or by using the Internet as instructed on the enclosed proxy card or execute and return, at your earliest convenience, the enclosed proxy card in the envelope that has also been provided.

THE BOARD OF DIRECTORS

April 28, 2022

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 001-37622

BLOCK, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

80-0429876

(I.R.S. Employer
Identification Number)

Address Not Applicable¹

(Address of principal executive offices, including zip code)

(415) 375-3176

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, \$0.0000001 par value per share	SQ	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes No

¹ As of 2021, we do not designate a headquarters location as we have adopted a distributed work model.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of a share of the registrant's Class A common stock on June 30, 2021 as reported by the New York Stock Exchange on such date was approximately \$95.2 billion. Shares of the registrant's Class A common stock and Class B common stock held by each executive officer, director and holder of 5% or more of the outstanding Class A common stock and Class B common stock have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of February 18, 2022, the number of shares of the registrant's Class A common stock outstanding was 518,361,474 and the number of shares of the registrant's Class B common stock outstanding was 61,696,578.

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2021.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “appears,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue,” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about our future financial performance, the impact of the COVID-19 pandemic and related public health measures on our business, customers, and employees, our expectations regarding transaction and loan losses, the adequacy of our allowance for loan losses on loans held for investment, or increased delinquencies, and the impact of inaccurate estimates or inadequate reserves, our potential exposure as a participant in the Paycheck Protection Program (“PPP”), our anticipated growth and growth strategies and our ability to effectively manage that growth, our ability to invest in and develop our products and services to operate with changing technology, the expected benefits of our products to our customers and the impact of our products on our business, and our expectations regarding Gross Payment Volume (GPV) and revenue, including our expectations regarding the Cash App and Square ecosystems, our expectations regarding product launches, the expected impact of our recent acquisitions, the integration of Afterpay with our business, our plans with respect to patents and other intellectual property, our expectations regarding litigation and regulatory matters and the adequacy of reserves for such matters, our expectations regarding share-based compensation, our expectations regarding the impacts of accounting guidance and the timing of our compliance therewith, our expectations regarding restricted cash, and the sufficiency of our cash and cash equivalents and cash generated from operations to meet our working capital and capital expenditure requirements.

We have based the forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy, and financial needs. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Annual Report on Form 10-K. We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

All forward-looking statements are based on information and estimates available to the Company at the time of this Annual Report on Form 10-K and are not guarantees of future performance. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law.

PART I

Item 1. BUSINESS

Our Business

We started Block with the Square ecosystem in February 2009 to enable businesses ("sellers") to accept card payments, an important capability that was previously inaccessible to many businesses. As our company grew, we recognized that sellers need a variety of solutions to thrive and saw how we could apply our strength in technology and innovation to help sellers. We have since expanded our Square ecosystem to provide more than 30 distinct products and services to sellers that help them manage and grow their business. Similarly, with Cash App, we have built an ecosystem of financial services to help individuals manage their money. Our purpose of economic empowerment drives the development of all our products and services. Effective June 30, 2020, we changed the way we reported our results from one operating and reportable segment to two. Our two reportable segments are Square, formerly referred to as Seller, and Cash App, reflecting our two primary ecosystems and the way management and our chief operating decision maker ("CODM") review and assess the performance of our business.

On December 1, 2021, we changed our name from Square to Block. Block is the name for the company as a corporate entity. The Square name has become synonymous with our Seller business, and this move allowed the Seller business to own the Square brand it was built for. The change to Block acknowledges our growth. Since our start in 2009, we have added Cash App, TIDAL, and TBD as businesses, and the name change creates room for further growth. Block is an overarching ecosystem of many businesses united by their purpose of economic empowerment, and serves many people—individuals, artists, fans, developers, and sellers.

Square Ecosystem: Square offers a cohesive commerce ecosystem that helps our sellers start, run, and grow their businesses. We combine software, hardware, and financial services to create products and services that are cohesive, fast, self-serve, and elegant. These attributes differentiate Square in a fragmented industry that traditionally forces sellers to stitch together products and services from multiple vendors, and more often than not, rely on inefficient non-digital processes and tools. Our ability to add new sellers efficiently, help them grow their business, and cross-sell products and services has historically led to continued and sustained long-term growth. In the year ended December 31, 2021, we processed \$152.8 billion of Square Gross Payment Volume ("GPV"), which was generated by more than 3 billion card payments from 526 million payment cards. At the end of 2021, our Square ecosystem had over 261 million buyer profiles and approximately 366 million items were listed on Square by sellers.

Cash App Ecosystem: Cash App provides an ecosystem of financial products and services to help individuals manage their money. Cash App's goal is to redefine the world's relationship with money by making it more relatable, instantly available, and universally accessible. While Cash App started with the single ability to send and receive money, it now provides an ecosystem of financial services that allows individuals to store, send, receive, spend, and invest their money.

TIDAL: In the second quarter of 2021, we completed the acquisition of a majority ownership interest in TIDAL, a global music and entertainment platform that expands our purpose of economic empowerment to artists. TIDAL offers an extensive catalog of more than 80 million songs and 350,000 high-quality videos. TIDAL focuses on putting both the artist experience and fan experience at the center of decisions, providing artists direct access to their audience and allowing fans deeper connections to their favorite artists through original, exclusive, and curated content and events. TIDAL has a global presence with listeners in more than 60 countries and relationships with more than 200 labels and distributors.

TBD: In the third quarter of 2021, we launched TBD with a mission to build an open developer platform to make it easier for individuals and businesses to access bitcoin and other blockchain technologies without having to go through an institution.

Spiral: In 2019, we launched Spiral, an independent team solely focused on contributing to bitcoin open source work.

Afterpay: On January 31, 2022, we completed the acquisition of Afterpay Limited ("Afterpay"). Afterpay is a global 'buy now, pay later' ("BNPL") platform that facilitates commerce between retail merchants and end-customers by allowing its retail merchant clients to offer their customers the ability to buy goods and services on a BNPL basis. Through the use of Afterpay's BNPL products, end-customers can split their purchases across four installments, generally due in two-

week increments, without paying fees (if payments are made on time). Afterpay provides end-customers the ability to get desired items now but pay for them later while simultaneously helping merchants increase sales and order values. Afterpay pays its retail merchant customers the full order value upfront (less a percentage fee) and assumes the risk of non-payment from the end-customer. Apart from capped late payment fees, end-customers do not incur additional fees. Afterpay operates an online shop directory, which allows consumers to search by product category for stores that offer Afterpay as a payment option, and offers an Afterpay in-store card for in-person transactions at a merchant's point of sale. We intend to integrate the Afterpay BNPL platform into the Cash App and Square ecosystems, strengthening the connection between these ecosystems, expanding access to more sellers and customers, and helping drive more commerce between our sellers and customers. Afterpay will be integrated into Square's online and in-person checkout solutions, strengthening Square's omnichannel platform. Customers will be able to manage their installments and repayments directly within Cash App, potentially driving increased engagement, while the commerce discovery from the Afterpay App will be integrated with Cash App to help drive lead generation for merchants and customer engagement.

Response to COVID-19

In 2020 and 2021, we made certain focused investments in each of our Square and Cash App ecosystems to help our customers adapt to COVID-19.

For our Square sellers, we provided resources with information and advice. We eliminated fees for our software products for the months of March and April 2020, as well as certain other months in 2020 and 2021 for markets outside the U.S., and introduced options for sellers to pause subscriptions temporarily based on their circumstances. We prioritized omnichannel product launches to help sellers transition to serving more of their customers online and through contactless commerce, including curbside pickup and delivery for Square Online and a website for customers to purchase eGift Cards from sellers. We also temporarily offered our sellers free marketing campaigns to update their buyers on recent changes and to promote their businesses. As a participant in the Paycheck Protection Program (PPP), we distributed loans to Square sellers. As of December 31, 2021, we had facilitated approximately \$1.5 billion of PPP loans, excluding canceled loans, providing more than 150,000 loans to small businesses. As of December 31, 2021, approximately \$725.9 million in the aggregate of PPP loans had been forgiven by the Small Business Administration, of which, \$679.6 million was forgiven in 2021. We approved and funded the last remaining PPP applications on May 21, 2021 upon exhaustion of the funds in the program.

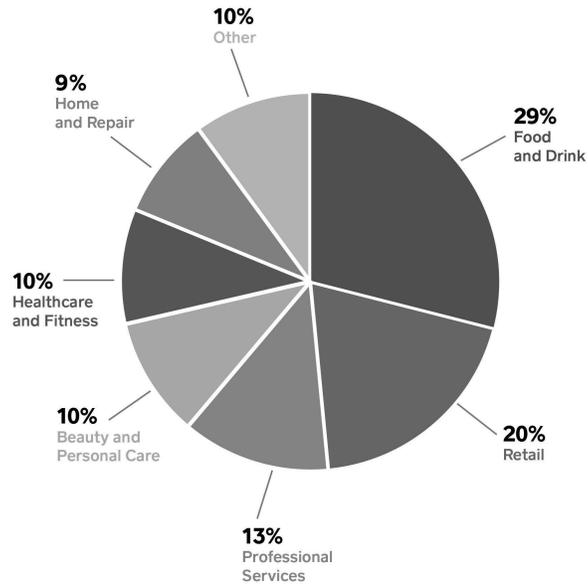
For our Cash App customers, we published educational materials to help them understand the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") stimulus programs. We expanded direct deposit access to many of our Cash App customers, allowing customers to direct deposit government funds into their Cash App accounts. Customers could spend their funds using Cash Card and we adapted certain Boost rewards to pandemic-relevant merchants and categories (e.g. grocery stores) to benefit our customers.

Our Customers

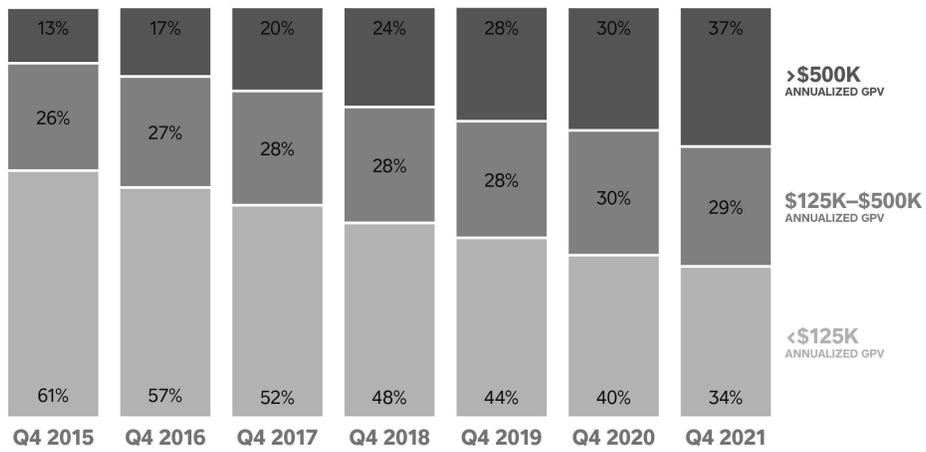
Our Square sellers: Square sellers represent a diverse range of industries (including services, food-related, and retail businesses) and sizes, ranging from sole proprietors to multi-national businesses. Square sellers span geographies, including the United States, Canada, Japan, Australia, the United Kingdom, Ireland, France, and Spain. We believe the diversity of our sellers underscores the accessibility and flexibility of our offerings. We are also increasingly serving mid-market sellers, which we define as sellers that generate more than \$500,000 in annualized GPV. Our ability to service mid-market sellers is due to our ability to offer more flexible and complex solutions as well as a growing product suite. GPV from mid-market sellers represented 37% of Square GPV in the fourth quarter of 2021, up from 30% in the fourth quarter of 2020 and 28% in the fourth quarter of 2019. For the years ended December 31, 2021, 2020 and 2019, we had no customer who accounted for greater than 5% of our GPV or our total net revenue.

The charts below show the percentage mix of our Square GPV by seller industry and seller size, excluding Cash App for the year ended December 31, 2021:

% OF GPV BY INDUSTRY



GPV MIX BY SELLER SIZE



Our Cash App Customers: As of December 2021, Cash App had more than 44 million monthly transacting actives across the United States and Europe which had at least one financial transaction using any Cash App product or service. In 2021, across the iOS App Store and Google Play, Cash App was the number one finance app and the number four app overall, based on downloads in the United States. Cash App has a diverse mix of customers. In the United States, Cash App had monthly transacting actives in each of the 50 states and nearly every county as of December 2021.

Our Products and Services

Square Ecosystem:

Our Square ecosystem consists of more than 30 distinct software, hardware, and financial services products. We monetize these products through a combination of transaction, subscription, and service fees.

Software

We offer a growing suite of cloud-based software solutions to help Square sellers more effectively operate and manage their businesses. Our software is designed to be self-serve and intuitive to make initial setup and new employee training fast and easy. Our products are integrated to create a seamless experience and enable a holistic view of sales, customers, employees, and locations. Sellers get frequent software updates and upgrades automatically. Square's software offerings include our Online, Point of Sale, Developer Platform, Customer Relationship Management, and Team Management products.

Square's point of sale products help sellers make sales and track sales, inventory, customers' purchase histories, and tips. All point of sale products have a free software tier without a subscription fee, which we monetize only through payments transaction fees. Among Square's point of sale products, Square Appointments, Square for Retail, and Square for Restaurants also have premium tiers with additional functionality, which we monetize through subscription fees in addition to transaction fees on payments.

- **Square Point of Sale** is a general purpose point-of-sale software solution for businesses that need an easy to use, customizable point of sale solution that adapts to any business type and stage. It is available for both iOS and Android and is pre-installed on Square Register and Square Terminal hardware devices.
- **Square Appointments** is for appointment-based businesses that need a point-of-sale software solution with integrated booking capabilities. It can be used on iOS, Android, or via a web browser. Appointments includes a free online booking site so buyers can easily schedule appointments and select their preferred time, service, and staff member. It is also integrated with Square Assistant, an artificial intelligence enabled automated messaging tool that responds to buyers efficiently and professionally, saving sellers' time and helping prevent no-shows.
- **Square for Retail** is tailored for sellers in the retail industry and includes advanced inventory management, cost of goods sold reporting, purchase orders, vendor management, and barcode scanning.
- **Square for Restaurants** is tailored for both quick service and full-service restaurants. It includes table, order and course management, a kitchen display system, and revenue and cost reporting.

Square's online products make it easy to sell online and via social media. When used in conjunction with Square's point of sale products, sellers can offer omnichannel experiences for their customers such as buy online, pickup in store or curbside, and buy online, return in store. All online products have a free tier without a subscription fee, which we monetize only through transaction fees on payments. Square Online and Square Invoices also have premium tiers with additional functionality that is monetized via software fees in addition to transaction fees on payments.

- **Square Online** helps sellers across a range of verticals reach customers in more ways. It makes it easy to build a website and online store as well as sell on Instagram and Facebook. The online store is mobile responsive, delivering an app-like ordering experience on a buyer's phone. With integrated support for QR code ordering, sellers can also streamline their in-store operations by posting the QR code and having their buyers order from their own phones. Fulfillment options include pickup, delivery managed by our sellers, and partner delivery platforms. Orders, items, inventory, and customer data stay in sync when selling both online and in-person.

- **Square Online Checkout** makes it easy to sell online without a website by allowing sellers to create a checkout link with only a name and price for their good or service.
- **Square Invoices** is a customizable digital invoicing solution with integrated and secure online payment acceptance. This eliminates the need to print and mail statements to customers and wait for checks to arrive. Sellers use Square Invoices for upcoming, recurring, or previously-delivered goods and services, such as catering orders, contractor services, lessons, and retail orders. Square Invoices also lets sellers send estimates and collect partial payments for goods and services.
- **Square Virtual Terminal** allows sellers to use a computer as a card terminal. Sellers can take a payment, set up recurring billing, record sales, and send digital receipts for payments, including those made by check and bank transfer.

Square's business and customer relationship management products give sellers digital tools to streamline their operations. These tools seamlessly integrate with other Square products eliminating the latent, time-consuming, and error prone processes typically used to copy and sync data between disparate systems. We monetize these products via software fees with the exception of Square Contracts, Feedback, and Dashboard which we do not directly monetize.

- **Square Team Management** makes it easy to schedule staff, view team performance and sales analytics in real time, and pay employees in minutes when used together with Square Payroll. It also enables limiting access to Square software features per employee or role. The Square Team App enables team members to clock in and out, view and adjust their schedules, see timecards, hours worked, and estimated pay from their mobile phone. Team members paid via Square Payroll can also view their pay stubs in the Square Team App.
- **Square Contracts** helps sellers protect themselves by creating custom and template-based digital contracts with e-signature support for uses such as service agreements and liability waivers. These contracts can be used on their own or easily added to Square Invoices or Square Appointments.
- **Square Loyalty, Messages, Marketing, Gift Cards, and Feedback** help sellers engage with their buyers in-store and online to grow their business. By linking customer data and feedback with point-of-sale and online commerce data, Square can offer sellers integrated omnichannel loyalty, marketing and feedback. Square's closed-loop system allows sellers to easily assess performance and return on investment.
- **Square Dashboard** provides sellers with real-time data and insights about orders, items, inventory, customers, employees, payments, marketing, and loyalty performance. It can be used via the web or the Dashboard iOS app. This reporting enables sellers to stay informed and make timely decisions about their business from anywhere.

Finally, Square offers a developer platform including APIs (application programming interfaces) and SDKs (software development kits) that enable external developers to integrate with the Square ecosystem.

- **Payment APIs** support in-person, online, and mobile payments. Square Reader SDK enables developers to seamlessly integrate Square hardware with a seller's custom point of sale, allowing them to build unique checkout experiences such as self-ordering kiosks powered by Square's managed payments service. With Square's online payments APIs, developers can integrate Square payments into a seller's e-commerce website or online store. Square's In-App Payments SDK enables developers to build consumer mobile apps that use Square to process payments. These products are primarily monetized through transaction fees on payment volumes.
- **Commerce APIs** include more than 30 commerce APIs, through which developers can create and manage orders, subscriptions, product catalogs, inventory, customer profiles, employees, loyalty programs, gift cards and more in order to build applications that enrich and integrate with Square's ecosystem of products. In addition, these APIs enable developers to build integrations with their existing business systems such as accounting, CRM (customer relationship management), employee management, and ERP (enterprise resource planning) software.

Hardware

Square custom-designs hardware that can process all major card payment forms, including magnetic stripe, EMV chip, and NFC (contactless). Sellers are able to accept cards issued by Visa, MasterCard, American Express, Discover, JCB,

Interac Flash (in Canada), e-Money (in Japan), and eftpos (in Australia). Square hardware can be integrated with additional accessories such as cash drawers, receipt printers, scales, and barcode scanners to provide sellers with a comprehensive point-of-sale solution. Square's hardware portfolio includes the following:

- **Magstripe reader** enables swiped transactions of magnetic stripe cards by connecting with an iOS or Android smartphone or tablet via the headphone jack or lightning connector.
- **Contactless and chip reader** accepts EMV chip cards and NFC payments, enabling acceptance via Apple Pay, Google Pay, and other mobile wallets.
- **Square Stand** enables an iPad to be used as a payment terminal or full point of sale solution. It features an integrated magnetic stripe reader, provides power to a connected iPad, and can connect to the contactless and chip reader wirelessly or via USB.
- **Square Register** is an all-in-one offering that combines our hardware, point-of-sale software, and payments technology. The dedicated hardware consists of two screens: a seller display and a customer display with a built-in card reader that accepts tap, dip, and swipe payments.
- **Square Terminal** is a portable, all-in-one payments device and receipt printer to replace traditional keypad terminals. It accepts tap, dip, and swipe payments and has a battery that lasts all day, enabling payments anywhere in the store.

Financial Services

Square acts as both the merchant of record for the transaction as well as the payment service provider (PSP). As the merchant of record, Square is the party responsible for settling funds with the seller and helps manage transaction risk loss on behalf of the merchant. Square's position as the merchant of record helps Square better serve its sellers. For example, as the merchant of record, we can more efficiently onboard new sellers through our website, leveraging our risk assessment models, and we have insights into transaction-level data that we use to inform our sellers and launch new products. Square has negotiated terms and entered into contractual arrangements directly with the other service providers of transaction processing services, including the acquiring processors and card networks, and indirectly with the issuing banks. These contracts include negotiated terms, such as more favorable pricing, that are generally not available to sellers if they were to contract directly with these sub-service providers.

We offer a growing number of accessible financial services that make it easier for sellers to manage cash flow and get faster access to funds. Financial Services includes our Managed Payments, Business Banking, and Payroll products.

- **Managed Payments** includes next-day settlements, payment dispute management, data security, and PCI compliance. Sellers can onboard in minutes and, once onboarded, accept payments in person via swipe, dip, or tap of a card or online via a stored card on file or payment entry form. Sellers pay a transparent transaction fee for our managed payment offering.
- **Risk Manager** gives sellers insight into online payment fraud patterns and enables them to set custom rules and alerts to manage risk. Machine learning algorithms automatically identify fraud patterns and adapt to fit a seller's operations.
- **Instant Transfer** enables sellers to receive funds from their payments instantly or later that same day. Instant Transfer is an important tool for sellers that need faster access to their funds in order to better manage their cash flow or working capital.
- **Square Savings** is a high-yield business savings account, with no monthly fees or minimums, designed to make cash flow management easier for sellers. With Square Savings, sellers can easily and automatically put aside a portion of their sales into their savings account while also organizing their money within folders, streamlining the process of saving funds for specific goals and priorities, such as quarterly tax obligations.

- **Square Checking** provides sellers with a FDIC-insured account that gives them instant access to their sales and the ability to immediately use those funds via a debit card (Square Debit Card), withdrawn from an ATM, or transferred via ACH.
- **Square Loans** (formerly Square Capital) facilitates loans to qualified Square sellers through our subsidiary Square Financial Services (“SFS”), which is an industrial loan corporation (“ILC”). SFS began its operations in March 2021. Square Loans eliminates the lengthy (and often unsuccessful) loan application process. We are able to approve sellers for these loans while facilitating prudent risk management by using our unique data set of a seller’s Square transactions to help facilitate loan underwriting and collections. The terms are straightforward for sellers, and once approved, they get their funds quickly, often the next business day. Generally, for loans to Square sellers, loan repayment occurs automatically through a fixed percentage of every card transaction a seller takes. Loans are sized to be less than 20% of a seller’s expected annual GPV and, by simply running their business, sellers historically have repaid their loan in less than nine months on average. We currently fund a majority of these loans from arrangements with institutional third-party investors who purchase these loans on a forward-flow basis. This funding allows us to mitigate our balance sheet and liquidity risk. Since its public launch in May 2014, Square Loans has facilitated more than 1.6 million loans and advances, representing more than \$11.3 billion in principal amount loaned. This includes approximately \$1.5 billion of Paycheck Protection Program (PPP) loans, excluding canceled loans, providing more than 150,000 loans to small businesses.
- **Square Payroll** allows sellers to pay wages and associated employee taxes, and offer employee benefits (e.g. 401(k) accounts). The Square ecosystem drives competitive differentiation for our Payroll product with the ability to use Payroll in conjunction with our point of sale products, Team Management, and Cash App.

Cash App Ecosystem:

With Cash App, we are building an ecosystem of financial products and services that helps individuals manage their money by making it more relatable, instantly available, and universally accessible. Cash App has a diverse set of customers across demographics and domestic regions. Cash App primarily serves customers in the United States with its breadth of products, and also provides certain services to customers in Europe, primarily with Cash App in the United Kingdom and with Verse in Spain.

Storing, Sending, and Receiving Funds

Customers can use Cash App to inflow funds in a variety of ways, including by receiving money from another Cash App customer through the app’s core peer-to-peer transfer service, by transferring money from a bank account, depositing mobile-checks, or by adding physical cash at participating retailers. We have enhanced the efficiency of peer-to-peer transfers by streamlining the onboarding process for new Cash App customers. Many Cash App accounts also have a routing number and a unique account number, which allows customers to deposit funds directly from their paychecks. These funds can then be sent to another customer through the app, spent anywhere that accepts cards or withdrawn from an ATM using the Cash Card, invested in stocks or ETFs, used to buy bitcoin, or transferred to a bank account (either instantly for a fee or for free in 1-3 days). Additionally, Cash App has made it easier for people to manage a business by enabling payments to their Cashtag, allowing higher weekly limits, and providing relevant tax reporting forms.

We are expanding Cash App’s ecosystem by reaching more customers globally. We offer cross-border payments between the United States and the United Kingdom, allowing customers to instantly transfer funds between these countries using real-time exchange rates with no fees.

Spending

Cash Card is a debit card that is linked directly to a customer’s Cash App balance. Customers can order a Cash Card for free and use their Cash Card anywhere that accepts cards to make purchases, drawing down from the funds stored in their Cash App balance. Square earns interchange fees when individuals make purchases with Cash Card. Customers can select new or promotional Cash Card designs for a fee.

Cash Card also offers customers discounts at certain businesses through the Cash Boost program. Cash Boost is a free and instant rewards program for Cash App customers, which offers a discount at a specific business (e.g. 10% off a purchase on DoorDash) or a discount at certain business types (e.g. grocery stores). Customers can select the Cash Boost they

want to apply to their Cash Card through the Cash App, and the discount is instantly applied to their Cash App balance when customers make eligible transactions. Some Cash Boosts are selected and funded by Cash App, while others are funded by our partners. Costs related to the Cash Boost rewards program that are funded by Cash App are recognized as reductions to revenue.

Investing

Customers can also use Cash App to invest their funds in U.S. listed stocks and exchange-traded funds ("ETFs") or buy and sell bitcoin.

Cash App makes investing more accessible by giving customers access to hundreds of listed stocks and ETFs, as well as the ability to buy and sell bitcoin. Stocks, ETFs, or bitcoin can be purchased using the funds in a customer's Cash App balance or from a linked debit card and once the order is filled, all investments are viewable through the Investing tab on the Cash App home screen. We offer Cash App customers the ability to buy fractional amounts of a stock, ETF, or bitcoin starting at as little as \$1, which expands access to investing to more people. For bitcoin buying and selling, we recognize revenue when customers purchase bitcoin and it is transferred to the customer's account.

Commerce

Cash App is focused on driving greater commerce between customers and merchants.

Launched in the third quarter of 2021, Cash App Pay is a simple, mobile-friendly way for Cash App customers to pay at merchants across online and in-person channels. As of December 2021, Cash App Pay is enabled for a subset of Square sellers that are using certain Square hardware and software products. With Cash App Pay, Cash App customers can pay at Square sellers by simply scanning a QR code or tapping a button on their mobile device at checkout.

Cash for Business allows business accounts to use Cash App to collect payments for their business by accepting peer-to-peer transactions for a fee.

Tax Preparation

In the fourth quarter of 2020, we acquired Credit Karma Tax, which added a tax filing product for individuals to Cash App's ecosystem. In the first quarter of 2021, we launched Cash App Taxes, which provides a seamless, mobile-first solution for individuals to file their taxes for free.

Sales and Marketing

Square Ecosystem

Square's seller ecosystem has a strong brand and continues to increase awareness of Square and our Square ecosystem of products among sellers by enhancing our services and fostering rapid adoption through brand affinity, direct marketing, public relations, direct sales, and partnerships. Our Net Promoter Score (NPS) has averaged nearly 63 over the past four quarters, which is approximately double the average score for banking providers. Our high NPS means Square sellers recommend our services to others, which we believe strengthens the Square brand and helps drive efficient customer acquisition.

Direct marketing, online and offline, has also been an effective customer acquisition channel. These tactics include online search engine optimization and marketing, online display advertising, direct mail campaigns, direct response television advertising, mobile advertising, and affiliate and seller referral programs. Our direct sales and account management teams also contribute to the acquisition and support of larger sellers.

Our direct, ongoing interactions with our sellers help us tailor offerings to them, at scale, and in the context of their usage. We use various scalable communication channels such as email marketing, in-product notifications and messaging, and Square Communities, our online forum for sellers, to increase the awareness and usage of our products and services with little incremental sales and marketing expense. Our customer support team also helps increase awareness and usage of our products as part of helping sellers address inquiries and issues.

In addition to direct channels, we work with third-party developers and partners who offer our solutions to their customers. Partners expand our addressable market to sellers with individualized or industry-specific needs. Through the Square App Marketplace, Square partners are able to expand their own addressable market by reaching the millions of sellers using Square. As of December 31, 2021, Square had more than 800 managed partners connected to its platform.

Cash App Ecosystem

Cash App has also developed a strong brand, which can be traced back to our compelling features, self-serve experience, unique design, and engaging marketing.

Peer-to-peer transactions serve as the primary acquisition channel for Cash App. Peer-to-peer transactions have powerful network effects as every time a customer sends or requests money, Cash App can acquire a new customer or reengage an existing customer. We have enhanced the efficiency of peer-to-peer transfers by streamlining the onboarding process for Cash App, enabling customers to sign up in minutes. We offer the peer-to-peer service to our Cash App customers for free, and we consider it to be a marketing tool to encourage the usage of Cash App. We do not generate revenue on the majority of peer-to-peer transactions and for these transactions we characterize card issuance costs, peer-to-peer costs and risk loss as a sales and marketing expense.

Cash App also uses paid marketing, including referrals, advertising spend, partnerships, and social media campaigns, to expand its network by enhancing its brand, reaching new customers, and improving retention among existing customers.

Additionally, we see the launch and advertising of new Cash App features as an important way to attract new customers. Features such as Cash Card and Boost rewards, bitcoin buying and selling, investing in stocks and ETFs, cross-border payments, Cash App Pay, and a tax preparation service enhance Cash App's utility for customers and provide reasons for individuals to try Cash App.

Product Development and Technology

We design both our Square and Cash App products and services to be cohesive, fast, self-serve, and elegant, and we organize our product teams accordingly, combining individuals from product management, engineering, data science, analytics, design, and product marketing. Our products and services are platform-agnostic with most supporting iOS, Android, and web. We frequently update our software products and have a rapid software release schedule with improvements deployed regularly. Our services are built on a scalable technology platform, and we place a strong emphasis on data analytics and machine learning to maximize the efficacy, efficiency, and scalability of our services.

In our Square ecosystem, this enables us to capture and analyze billions of transactions per year and automate risk assessment for more than 99.95% of all transactions. Our hardware is designed and developed in-house, and we contract with third-party manufacturers for production.

Our Competition

Square Ecosystem

The markets in which our Square ecosystem operates are competitive and evolving. Our competitors range from large, well-established vendors to smaller, earlier-stage companies.

We seek to differentiate ourselves from competitors primarily on the basis of our extensive commerce ecosystem and our focus on building remarkable products and services that are cohesive, fast, self-serve, and elegant. In addition, we differentiate ourselves by offering transparent pricing, no long-term contracts, and our ability to innovate and reshape the industries we operate in to expand access to traditionally unserved or underserved sellers. With respect to each of these factors, we believe that we compare favorably to our competitors. Competitors that overlap with certain functions and features that we provide include:

- Pen and paper, manual processes, and paper currency

- Business software providers such as those that provide point of sale, website building, inventory management, employee management, customer relationship management invoicing, and appointment booking solutions
- Payment terminal vendors
- Merchant acquirers
- Banks that provide payment processing, checking, savings, loans, and payroll
- Payroll processors
- Established or new alternative lenders

Cash App Ecosystem

Cash App is our ecosystem of financial services for individuals and competes with other companies in the peer-to-peer payments, debit and prepaid cards, credit card rewards, stock trading, tax filing, digital wallet, and bitcoin exchange spaces. Our competitors include money transfer apps, prepaid debit card offerings, brokerage firms, tax firms and crypto trading services.

We primarily compete based on our brand and the simplicity and quality of our customer experience. We invest in brand, design, and technology to keep our products fast and simple, while also improving and expanding our features.

Human Capital

Our employees are the driving force behind our purpose of economic empowerment. Attracting, developing, and retaining top talent remain a focus in the development of our human capital programs. As of December 31, 2021, we had 8,521 full-time employees worldwide with 1,353 full-time employees outside the US. We also engage temporary employees and consultants as needed to support our operations.

We have a purpose-driven culture, with a focus on employee input and well-being, which we believe enables us to attract and retain exceptional talent. We offer learning and development programs for all employees, as well as a robust manager training program. Employees are able to actively voice their questions and thoughts through many internal channels, including our company townhall meetings and bi-annual employee engagement surveys. While we have been in support of a distributed work model for years, due to the COVID-19 pandemic we were able to increase our focus on this model more quickly. For Block, the distributed work model means that we no longer have a designated headquarters location and that for the vast majority of roles, our employees have the option to work from home or from a Block office space. Whether it be from home, in an office, or a combination of the two, we are focused on providing our employees with more flexibility. This policy has unlocked opportunities to hire and retain talent in more locations, as many employees can continue to work for us if they need or want to relocate.

A key focus of our human capital management approach is our commitment to improving inclusion and diversity. In 2021, our focus was on building sustainable systems to champion inclusion and diversity via three critical channels — growing our Communities program (employee resource groups), equipping our managers to build and lead inclusive teams, and making diversity a central component of our recruiting strategy. Each year, we publish our workforce demographics on our inclusion and diversity blog to show how far we have come, where there is room to grow, and how our workforce is evolving from multiple perspectives. The 2021 report is available at: <https://squareup.com/us/en/about/diversity/workforce-data-2021>. The contents of the report and our websites are not incorporated by reference into this Annual Report on Form 10-K.

From a total rewards perspective, Block offers a competitive compensation and benefits package, which we review and update each year. Our annual compensation planning coincides with our feedback cycle where employees and managers have performance conversations to facilitate learning and career development. As part of our compensation review program, we conduct pay equity analyses annually.

Intellectual Property

We seek to protect our intellectual property rights by relying on a combination of federal, state, and common law rights in the United States and other countries, as well as on contractual measures. It is our practice to enter into confidentiality, non-disclosure, and invention assignment agreements with our employees and contractors, and into confidentiality and non-disclosure agreements with other third parties, in order to limit access to, and disclosure and use of, our confidential information and proprietary technology. In addition to these contractual measures, we also rely on a

combination of trademarks, trade dress, copyrights, registered domain names, trade secrets, and patent rights to help protect our brand and our other intellectual property.

We have developed a patent program and strategy to identify, apply for, and secure patents for innovative aspects of our products, services, and technologies where appropriate. In addition to our existing patents, we intend to file additional patent applications as we continue to innovate through our research and development efforts and to pursue additional patent protection to the extent we deem it beneficial and cost-effective.

We actively pursue registration of our trademarks, logos, service marks, trade dress, and domain names in the United States and in other jurisdictions. We are the registered holder of a variety of U.S. and international trademarks and domain names that include the terms “Block,” “Square,” “Cash App,” “Afterpay,” “Weebly,” “TIDAL,” “Spiral,” “TBD,” and variations thereof.

From time to time, we also incorporate certain intellectual property licensed from third parties, including under certain open source licenses. Even if any such third-party technology did not continue to be available to us on commercially reasonable terms, we believe that alternative technologies would be available as needed in every case.

Government Regulation

Foreign and domestic laws and regulations apply to many key aspects of our business. Any actual or perceived failure to comply with these requirements may result in, among other things, revocation of required licenses or registrations, loss of approved status, private litigation, regulatory or governmental investigations, administrative enforcement actions, sanctions, civil and criminal liability, and constraints on our ability to continue to operate. It is also possible that current or future laws or regulations could be interpreted or applied in a manner that would prohibit, alter, or impair our existing or planned products and services, or that could require costly, time-consuming, or otherwise burdensome compliance measures from us.

Payments Regulation

Various laws and regulations govern the payments industry in the United States and globally. For example, certain jurisdictions in the United States require a license to offer money transmission services, such as Cash App’s peer-to-peer payments, and we maintain a license in each of those jurisdictions and comply with new license requirements as they arise. We are also registered as a “Money Services Business” with the U.S. Department of Treasury’s Financial Crimes Enforcement Network. These licenses and registrations subject us, among other things, to record-keeping requirements, reporting requirements, bonding requirements, limitations on the investment of customer funds, and inspection by state and federal regulatory agencies.

Outside the United States, we provide localized versions of some of our services to customers, including through various foreign subsidiaries. The activities of those non-U.S. entities are, or may be, supervised by regulatory authorities in the jurisdictions in which they operate. For instance, we hold an Australian Financial Services License issued by the Australian Securities and Investments Commission to provide non-cash payments in Australia, and we are licensed as an Electronic Money Institution to provide payments services and electronic money in the United Kingdom by the Financial Conduct Authority and in the European Union by the Central Bank of Ireland and the Bank of Lithuania.

Our payments services may be or become subject to regulation by other authorities, and the laws and regulations applicable to the payments industry in any given jurisdiction are always subject to interpretation and change.

Consumer Protection

The Consumer Financial Protection Bureau and other federal, local, state, and foreign regulatory and law enforcement agencies regulate financial products and enforce consumer protection laws, including those applicable to credit, deposit, and payments services, and other similar services. These agencies have broad consumer protection mandates, and they promulgate, interpret, and enforce rules and regulations that affect our business.

Anti-Money Laundering

We are subject to anti-money laundering ("AML") laws and regulations in the United States and other jurisdictions. We have implemented an AML program designed to prevent our payments network from being used to facilitate money laundering, terrorist financing, and other illicit activity. Our program is also designed to prevent our network from being used to facilitate business in countries, or with persons or entities, included on designated lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Controls and equivalent applicable foreign authorities. Our AML compliance program includes policies, procedures, reporting protocols, and internal controls, including the designation of an AML compliance officer, and is designed to address these legal and regulatory requirements and to assist in managing risk associated with money laundering and terrorist financing.

Bank Regulation

We obtained approval from the Federal Deposit Insurance Corporation ("FDIC") and the Utah Department of Financial Institutions to open an industrial loan corporation ("ILC") in 2021. The opening of Square Financial Services, our ILC, in March 2021 subjects us to direct state and federal regulatory supervision and requires compliance with applicable banking regulations and requirements.

Broker-Dealer Regulation

Our subsidiary, Cash App Investing LLC ("Cash App Investing"), operates as a broker-dealer and is therefore registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). As a broker-dealer, Cash App Investing is subject to SEC and FINRA laws and regulations including, without limitation, how it markets its services, handles customer assets, keeps records, and reports to the SEC and FINRA. Cash App Investing is also registered in each state where we conduct business, and subject to those states' securities laws and regulations.

Virtual Currency Regulation

We are subject to certain licensing and supervisory frameworks as a result of our Cash App offering, through which customers can use their stored funds to buy, hold and sell bitcoin, and transfer bitcoin to and from Cash App. We currently hold a New York State BitLicense. The laws and regulations applicable to virtual currency are evolving and subject to interpretation and change. Therefore, our current and future virtual currency services may be or become subject to additional licensing and regulatory requirements by other state and federal authorities.

Protection and Use of Information

We collect and use a wide variety of information for various purposes in our business, including to help ensure the integrity of our services and to provide features and functionality to our customers. This aspect of our business, including the collection, use, disclosure, and protection of the information we acquire from our own services as well as from third-party sources, is subject to laws and regulations in the United States, the European Union, and elsewhere. Accordingly, we publish our privacy policies and terms of service, which describe our practices concerning the use, transmission, and disclosure of information. As our business continues to expand in the United States and worldwide, and as laws and regulations continue to be passed and their interpretations continue to evolve in numerous jurisdictions, additional laws and regulations may become relevant to us.

Communications Regulation

We send texts, emails, and other communications in a variety of contexts, such as when providing digital receipts and marketing. Communications laws and regulations, including those promulgated by the Federal Communications Commission, apply to certain aspects of this activity in the United States and elsewhere.

Additional Developments

Various regulatory agencies in the United States and elsewhere in our international markets continue to examine a wide variety of issues that could impact our business, including products liability, import and export compliance, accessibility for the disabled, insurance, marketing, privacy, data protection, information security, and labor and employment matters. As our business continues to develop and expand, additional rules and regulations may become relevant. For example, if we choose to offer Square Payroll in more jurisdictions, additional regulations, including tax rules, will apply.

Seasonality

Historically, for our Square ecosystem transaction-based revenue has been strongest in our fourth quarter and weakest in our first quarter, as our sellers typically generate additional GPV during the holiday season. Subscription and services-based revenue generally demonstrates less seasonality than transaction-based revenue. Hardware revenue generally demonstrates less seasonality than transaction-based revenue, with most fluctuations tied to periodic product launches, promotions, or other arrangements with our retail partners. We have not historically experienced meaningful seasonality with respect to total net revenue as this effect has been offset by our revenue growth. In 2020 and 2021, typical seasonality trends for the Square ecosystem were impacted as a result of the COVID-19 pandemic and subsequent shelter in-place restrictions.

Historically, our Cash App ecosystem experiences improvements in revenue and gross profit related to the distribution of government funds as customers have pulled more funds into Cash App, including during the first quarter when tax refunds are distributed. During the year ended December 31, 2021, we saw a significant increase in total Cash App revenue, primarily from bitcoin revenue which contributed 57% of total consolidated net revenue in 2021, and 48% of the total increase in consolidated net revenues in 2021. The primary drivers of bitcoin revenue are customer demand and the current market price of bitcoin, and as such, may not be indicative of future performance and skew typical seasonality trends in the Cash App ecosystem.

Corporate Information

Block was incorporated in Delaware in June 2009. In 2020, we started adopting a distributed work model. As of 2021, although our real estate footprint remains intact, we no longer have a designated headquarters location. Our telephone number is (415) 375-3176. Our website is located at www.block.xyz, and our investor relations website is located at investors.block.xyz. The information contained in, or accessible through, our website is not part of, and is not incorporated into, this Annual Report on Form 10-K.

We use various trademarks and trade names in our business, including “Block,” “Square,” “Cash App” and “Afterpay,” which we have registered in the United States and in various other countries. This Annual Report on Form 10-K also contains trademarks and trade names of other businesses that are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks we name in this Annual Report on Form 10-K.

Available Information

Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the Securities and Exchange Commission (SEC). The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. We have used, and intend to continue to use, our investor relations website, as well as the Twitter accounts @Blocks and @BlockIR, as means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Further corporate governance information, including our board committee charters, code of business conduct and ethics, and corporate governance guidelines, is also available on our investor relations website under the heading “Governance Documents.” The contents of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, before making any investment decision with respect to our securities. The risks and

uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risk Factors Summary

Our business operations are subject to numerous risks and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

Risks related to our business and our industry:

- our ability to maintain, protect, and enhance our brands;
- our participation in government relief programs set up in response to the COVID-19 pandemic;
- our ability to retain existing sellers and customers, attract new sellers and customers, and increase sales to both new and existing sellers and customers;
- our investments in our business and ability to maintain profitability;
- our efforts to expand our product portfolio and market reach;
- our ability to develop products and services to address the rapidly evolving market for payments and financial services;
- competition in our industry;
- any acquisitions, strategic investments, entries into new businesses, joint ventures, divestitures and other transactions that we may undertake;
- liabilities that may exist at Afterpay;
- the successful integration of our business with Afterpay;
- additional risks of our majority interest in TIDAL;
- expanding our business globally;
- additional risks of BNPL lending;
- additional risks of Square Banking relating to the structure of bank partnerships, and FDIC and other regulatory obligations; and
- additional risks of Square Loans related to the availability of capital, seller payments, interest rate, deposit insurance premiums, and general macroeconomic conditions.

Operational risks:

- real or perceived improper or unauthorized use of, disclosure of, or access to sensitive data;
- real or perceived security breaches or incidents or human error in administering our software, hardware, and systems;
- systems failures, interruptions, delays in service, catastrophic events, and resulting interruptions in the availability of our products or services or those of our sellers;
- any inability to access our private keys required to access our bitcoins or any hack or other data loss relating to the bitcoins we hold;
- our risk management efforts;
- our dependence on payment card networks and acquiring processors;
- our reliance on third parties and their systems for a variety of services, including the processing of transaction data and settlement of funds;
- our dependence on key management and any failure to attract, motivate, and retain our employees;
- our operational, financial, and other internal controls and systems;
- any shortage, price increases, tariffs, changes, delay or discontinuation of our key components;
- our ability to accurately forecast demand for our products and adequately manage our product inventory;
- the integration of our services with a variety of operating systems and the interoperation of our hardware that enables merchants to accept payment cards with third-party mobile devices utilizing such operating systems; and
- difficulties estimating the amount payable under TIDAL's license agreements.

Economic, financial, and tax risks:

- the ongoing COVID-19 pandemic and measures intended to prevent its spread;
- a deterioration of general macroeconomic conditions;
- any inability to secure financing on favorable terms, or at all, or covenants in our existing credit agreement, the indentures, or future agreements;

- our ability to service our convertible notes and our senior notes;
- counterparty risk with respect to our convertible note hedge transactions;
- our bitcoin investments being subject to volatile market prices, impairment, and other risks of loss;
- foreign exchange rates risks; and
- any greater-than-anticipated tax liabilities or significant valuation allowances on our deferred tax assets.

Legal, regulatory, and compliance risks:

- extensive regulation and oversight in a variety of areas of our business;
- complex and evolving regulations and oversight related to privacy and data protection;
- litigation, including intellectual property claims, government investigations or inquiries, and regulatory matters or disputes;
- obligations and restrictions as a licensed money transmitter;
- regulatory scrutiny or changes in the BNPL space;
- regulation and scrutiny of our subsidiary Cash App Investing, which is a broker-dealer registered with the SEC and a member of FINRA, including net capital and other regulatory capital requirements;
- changes to our business practices imposed by FINRA based on our ownership of Cash App Investing;
- regulation and scrutiny of our subsidiary Square Financial Services, which is a Utah state-chartered industrial bank, including the requirement that we serve as a source of financial strength to it;
- supervision and regulation of Square Financial Services, including the Dodd-Frank Act and its related regulations¹
- any inability to protect our intellectual property rights; and
- assertions by third parties of infringement of intellectual property rights by TIDAL.

Risks related to ownership of our common stock:

- the dual class structure of our common stock;
- volatility of the market price of our Class A common stock;
- the dual-listing of our Class A common stock on the NYSE and our CDIs on the Australian Securities Exchange;
- our convertible note hedge and warrant transactions;
- anti-takeover provisions contained in our amended and restated certificate of incorporation, our second amended and restated bylaws, and provisions of Delaware law; and
- exclusive forum provisions in our bylaws.

Risks Related to Our Business and Our Industry

Our business depends on our ability to maintain, protect, and enhance our brands.

Having a strong and trusted brand has contributed significantly to the success of our business. We believe that maintaining, promoting, and enhancing the Square brand, the Cash App brand, the TIDAL brand, and our other brands, in a cost-effective manner is critical to achieving widespread acceptance of our products and services and expanding our base of customers. Maintaining and promoting our brands will depend largely on our ability to continue to provide useful, reliable, secure, and innovative products and services, as well as our ability to maintain trust and be a technology leader. We may introduce, or make changes to, features, products, services, privacy practices, or terms of service that customers do not like, which may materially and adversely affect our brands. Our brand promotion activities may not generate customer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses we incur in building our brands. If we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business could be materially and adversely affected.

The introduction and promotion of new products and services, as well as the promotion of existing products and services, may be partly dependent on our visibility on third-party advertising platforms, such as Google, Twitter, or Facebook. Changes in the way these platforms operate or changes in their advertising prices, data use practices or other terms could make the maintenance and promotion of our products and services and our brands more expensive or more difficult. If we are unable to market and promote our brands on third-party platforms effectively, our ability to acquire new customers would be materially harmed. We also use retail partners to sell hardware and acquire sellers for Square. Our ability to acquire new sellers could be materially harmed if we are unable to enter into or maintain these partnerships on terms that are commercially reasonable to us, or at all.

Harm to our brands can arise from many sources, including failure by us or our partners and service providers to satisfy expectations of service and quality; inadequate protection or misuse of sensitive information; fraud committed by third

parties using our products or applications; compliance failures and claims; litigation and other claims; and misconduct by our partners, service providers, or other counterparties. We have also been from time to time in the past, and may in the future be, the target of incomplete, inaccurate, and misleading or false statements about our company and our business that could damage our brands and deter customers from adopting our services or our products. Any negative publicity about the industries we operate in or our company, the quality and reliability of our products and services, our risk management processes, changes to our products and services, our ability to effectively manage and resolve customer complaints, our privacy, data protection, and information security practices, litigation, regulatory activity, policy positions, and the experience of our customers with our products or services could adversely affect our reputation and the confidence in and use of our products and services. If we do not successfully maintain, protect or enhance our brands, our business could be materially and adversely affected.

Our participation in government relief programs set up in response to the COVID-19 pandemic, such as facilitating loans to businesses under the Paycheck Protection Program or unemployment benefits, stimulus, and child tax credit payments to individuals through Cash App, may subject us to new risks and uncertainties.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act provided for stimulus funds, called economic impact payments, to individuals, expanded eligibility for unemployment benefits, increased the amount of and extended the period for unemployment insurance benefits, and provided child tax credit payments to qualifying households. Cash App has been facilitating the payment of such stimulus funds, unemployment benefits, and child tax credit payments by offering account and routing numbers that customers can use to deposit such payments directly into their Cash App accounts and accepting cash-in deposits from prepaid cards issued by state governments. Cash App has also worked with partner banks to expand direct deposit eligibility for its customers. The federal programs were set up quickly and under difficult and unprecedented circumstances and the implementation of these programs at the federal, state, and local levels has been complex and difficult, causing them to be more susceptible to fraud, data breaches, technical difficulties, and other new and uncertain risks. Cash App's facilitation of unemployment, stimulus, and child tax credit payments exposes us to operational, compliance, reputational, and legal risks, which could result in governmental action, litigation, or other forms of material and adverse loss. Moreover, as such stimulus measures have ended, growth in new Cash App customers may slow.

As a participant in the Paycheck Protection Program ("PPP") administered by the Small Business Administration ("SBA") and enacted in March 2020 under the CARES Act in response to the COVID-19 pandemic, Square Capital provided small businesses two-year or five-year PPP loans. Square Capital approved and funded the last remaining PPP loan applications in May 2021 upon exhaustion of the funds in the program. In the event that it is determined that a borrower does not qualify for loan forgiveness or if a borrower defaults on its PPP loan, Square Capital is at risk to the extent the SBA may decline to honor its guarantee or to forgive the loan due to documentation or verification errors, failure to follow regulatory requirements, or lack of adherence to underwriting standards. As a result, Square Capital's documentation, review, underwriting, and servicing processes will be subject to scrutiny, and we could incur losses if we fail to comply with the SBA documentation and other requirements. We also may become subject to litigation arising as a result of our participation in the PPP, which could result in significant financial liability or could adversely affect our reputation. There can be no assurance that Square Capital will be successful in mitigating all of the risks associated with the PPP loans or that this lending will not have a negative impact on our business and results of operations.

As our revenue has increased, our growth rate has slowed at times in the past and may slow or decline in the future, and our growth rates in each of our reporting segments may vary. Future revenue growth depends on our ability to retain existing sellers and customers, attract new sellers and customers, and increase sales to both new and existing sellers and customers.

Our rate of revenue growth has slowed at times in the past and may decline in the future, and it may slow or decline more quickly than we expect for a variety of reasons, including the risks described in this Annual Report on Form 10-K. Additionally, our rate of revenue growth may vary between our reporting segments. For example, in recent periods our Cash App segment revenue has grown at a high rate, which has varied and may continue to vary from the growth rate of our Square segment. Our sellers and customers have no obligation to continue to use our services, and we cannot assure you that they will. We generally do not have long-term contracts with our sellers and customers, and the difficulty and costs associated with switching to a competitor may not be significant for many of the services we offer. Our sellers' activity with us may decrease for a variety of reasons, including sellers' level of satisfaction with our products and services, our pricing and the pricing and quality of competing products or services, the effects of global economic conditions, or reductions in the aggregate spending of our sellers' customers. Growth in monthly transacting actives on Cash App and customers' level of

engagement with our products and services on Cash App are essential to our success and long-term financial performance. However, the growth rate of monthly transacting actives has fluctuated over time, and it may slow or decline in the future. A number of factors have affected and could potentially negatively affect Cash App customer growth and engagement, including our ability to introduce new products and services that are compelling to our customers, the network effects of other customers choosing whether to use Cash App, technical or other problems that affect customer experience, failure to provide sufficient customer support, fraud and scams targeting Cash App customers, and harm to our reputation and brand. Further, certain events or programs, such as government stimulus programs may correlate with periods of significant growth, but such growth may not be sustainable. Additionally, the growth rate of Cash App revenue may be distorted by the prices of bitcoin, as bitcoin revenue may increase or decrease due to the price of bitcoin and may not correlate to customer or engagement growth rates.

The growth of our business depends in part on our existing sellers and customers expanding their use of our products and services. If we are unable to encourage broader use of our services within each ecosystem by our existing sellers and customers, our growth may slow or stop, and our business may be materially and adversely affected. The growth of our business also depends on our ability to attract new sellers and customers, to encourage sellers and customers to use our products and services, and to introduce successful new products and services. We have invested and will continue to invest in our business in order to offer better or new features, products, and services and to adjust our product offerings to changing economic conditions, but if those features, products, services, and changes fail to be successful on the expected timeline or at all, our growth may slow or decline.

We have generated significant net losses in the past, and we intend to continue to invest substantially in our business. Thus, we may not be able to maintain profitability.

While we generated net income of \$166.3 million, \$213.1 million, and \$375.4 million for the years ended December 31, 2021, 2020 and 2019, respectively, we have generated significant net losses in the past. As of December 31, 2021, we had an accumulated deficit of \$28.0 million.

We intend to continue to make significant investments in our business, including with respect to our employee base; sales and marketing; development of new products, services, and features; acquisitions; infrastructure; expansion of international operations; and general administration, including legal, finance, and other compliance expenses related to our business. If the costs associated with acquiring and supporting new or larger sellers, attracting and supporting new Cash App customers, or with developing and supporting our products and services materially increase in the future, including the fees we pay to third parties to advertise our products and services, our expenses may rise significantly. In addition, increases in our seller base could cause us to incur increased losses because costs associated with new sellers are generally incurred up front, while revenue is recognized in future periods as our products and services are used by our sellers. Moreover, businesses we acquire may have different profitability than us, which may affect our overall profitability, particularly until we are able to realize expected synergies. For example, Afterpay has generated net losses in the past. If we are unable to generate adequate revenue growth and manage our expenses, we may incur significant losses and may not maintain profitability on a consistent basis.

From time to time, we have made and may make decisions that will have a negative effect on our short-term operating results if we believe those decisions will improve our operating results over the long term. These decisions may not be consistent with the expectations of investors and may not produce the long-term benefits that we expect, in which case our business may be materially and adversely affected.

Our efforts to expand our product portfolio and market reach, including through acquisitions, may not succeed and may reduce our revenue growth and profitability.

While we have grown the proportion of revenue from newer products and services from each of the Cash App and Square segments and we intend to continue to broaden the scope of products and services we offer, we may not be successful in maintaining or growing our current revenue streams, or deriving any significant new revenue streams from these products and services. Failure to successfully broaden the scope of products and services that are attractive may inhibit our growth and harm our business. Furthermore, we expect to continue to expand our markets in the future, and we may have limited or no experience in such newer markets. We cannot assure you that any of our products or services will be widely accepted in any market or that they will continue to grow in revenue. Our offerings may present new and difficult technological, operational, regulatory, risks, and other challenges, and if we experience service disruptions, failures, or other issues, our business may be materially and adversely affected. For example, our Cash App products are intended to make investing in certain assets, such as bitcoin, stocks, and exchange-traded funds, more accessible. However, as a result, our customers who use these products

may experience losses or other financial impacts due to, among other things, market fluctuations in the prices of bitcoin and stocks. If our customers are adversely affected by such risks, they may cease using the product or Cash App altogether and our business, brand, and reputation may be adversely affected. Our expansion into newer markets may not lead to growth and may require significant management time and attention, and we may not be able to recoup our investments in a timely manner or at all. If any of this were to occur, it could damage our reputation, limit our growth, and materially and adversely affect our business.

Our long-term success depends on our ability to develop products and services to address the rapidly evolving market for payments and financial services, and, if we are not able to implement successful enhancements and new features for our products and services, our business could be materially and adversely affected.

Rapid and significant technological changes continue to confront the industries in which we operate, including developments in omnichannel commerce, proximity payment devices (including contactless payments via NFC technology), digital banking, mobile financial apps, as well as developments in cryptocurrencies and in tokenization, which replaces sensitive data (e.g., payment card information) with symbols (tokens) to keep the data safe in the event that sensitive data is stolen or viewed by unauthorized third parties.

These new and evolving services and technologies may be superior to, impair, or render obsolete the products and services we currently offer or the technologies we currently use to provide them. Incorporating new technologies into our products and services may require substantial expenditures and take considerable time, and we may not be successful in realizing a return on these development efforts in a timely manner or at all. Our ability to develop new products and services may be inhibited by industry-wide standards, payment card networks, existing and future laws and regulations, resistance to change from our customers, which includes our sellers and their customers, or third parties' intellectual property rights. Our success will depend on our ability to develop new technologies and to adapt to technological changes and evolving industry standards. If we are unable to provide enhancements and new features for our products and services or to develop new products and services that achieve market acceptance or that keep pace with rapid technological developments and evolving industry standards, our business would be materially and adversely affected.

We often rely, not only on our own initiatives and innovations, but also on third parties, including some of our competitors, for the development of and access to new technologies and development of a robust market for these new products and technologies. Failure to accurately predict or to respond effectively to developments in our industry may significantly impair our business.

In addition, because our products and services are designed to operate with a variety of systems, infrastructures, and devices, we need to continuously modify and enhance our products and services to keep pace with changes in technologies. Moreover, our success may depend on our ability to provide products and services that are tailored to specific needs and requirements of our customers. Any failure of our products and services to continue to operate effectively with third-party infrastructures and technologies could reduce the demand for our products and services, result in dissatisfaction of our customers, and materially and adversely affect our business.

Substantial and increasingly intense competition in our industry may harm our business.

We compete in markets characterized by vigorous competition, changing technology, evolving industry standards, changing customer needs, and frequent introductions of new products and services. We expect competition to intensify in the future as existing and new competitors introduce new services or enhance existing services. For example, companies not traditionally associated with the payments industry have introduced products or services that are or may become competitive with our business. We compete against many companies to attract customers across our products and services, and some of these companies have greater financial resources and substantially larger bases of customers than we do, which may provide them with significant competitive advantages. These companies may devote greater resources to the development, promotion, and sale of products and services, may achieve economies of scale due to the size of their customer bases, and may more effectively introduce their own innovative products and services that adversely impact our growth. Mergers and acquisitions by, and collaborations between, these companies may lead to even larger competitors with more resources. For example, a number of competitors offer BNPL services similar to Afterpay's. Existing competitors and new entrants in the BNPL space may engage in aggressive consumer acquisition campaigns, develop superior technology offerings, or consolidate with other entities and achieve benefits of scale. Such competitive pressures may materially erode Afterpay's existing market share and may hinder expansion into new markets.

Certain sellers have long-standing exclusive, or nearly exclusive, relationships with our competitors to accept payment cards and other services that compete with what we offer. These relationships may make it difficult or cost-prohibitive for us to conduct material amounts of business with them. Competing services tied to established brands may engender greater confidence in the safety and efficacy of their services. If we are unable to differentiate ourselves from and successfully compete with our competitors, our business will be materially and adversely affected.

We may also face pricing pressures from competitors. Some competitors may offer lower prices by cross-subsidizing certain services that we also provide through other products they offer. Such competition may result in the need for us to alter our pricing and could reduce our gross profit. Also, sellers may demand more customized and favorable pricing from us, and competitive pressures may require us to agree to such pricing, reducing our gross profit. We currently negotiate pricing discounts and other incentive arrangements with certain large sellers to increase acceptance and usage of our products and services. If we continue this practice and if an increasing proportion of our sellers are large sellers, we may have to increase the discounts or incentives we provide, which could also reduce our gross profit.

Any acquisitions, strategic investments, entries into new businesses, joint ventures, divestitures, and other transactions could fail to achieve strategic objectives, disrupt our ongoing operations or result in operating difficulties, liabilities and expenses, harm our business, and negatively impact our results of operations.

In pursuing our business strategy, we routinely conduct discussions and evaluate opportunities for possible acquisitions, strategic investments, entries into new businesses, joint ventures, divestitures, and other transactions. We have in the past acquired or invested in, and we continue to seek to acquire or invest, in businesses, technologies, or other assets that we believe could complement or expand our business, including acquisitions of new lines of business that are adjacent to or outside of our existing ecosystems. As we grow, the pace and scale of our acquisitions may increase and may include larger acquisitions than we have done historically. The identification, evaluation, and negotiation of potential acquisition or strategic investment transactions may divert the attention of management and entail various expenses, whether or not such transactions are ultimately completed. There can be no assurance that we will be successful in identifying, negotiating, and consummating favorable transaction opportunities. In addition to transaction and opportunity costs, these transactions involve large challenges and risks, whether or not such transactions are completed, any of which could harm our business and negatively impact our results of operations, including risks that:

- the transaction may not advance our business strategy or may harm our growth or profitability;
- we may not be able to secure required regulatory approvals or otherwise satisfy closing conditions for a proposed transaction in a timely manner, or at all;
- the transaction may subject us to additional regulatory burdens that affect our business in potentially unanticipated and significantly negative ways;
- we may not realize a satisfactory return or increase our revenue;
- we may experience difficulty, and may not be successful in, integrating technologies, IT or business enterprise systems, culture, or management or other personnel of the acquired business;
- we may incur significant acquisition costs and transition costs, including in connection with the assumption of ongoing expenses of the acquired business;
- we may not realize the expected benefits or synergies from the transaction in the expected time period, or at all;
- we may be unable to retain key personnel;
- acquired businesses or businesses that we invest in may not have adequate controls, processes, and procedures to ensure compliance with laws and regulations, including with respect to data privacy, data protection, and data security, and our due diligence process may not identify compliance issues or other liabilities. Moreover, acquired businesses' technology stacks may add complexity, resource constraints, and legacy technological challenges that make it difficult and time consuming to achieve such adequate controls, processes, and procedures.

- we may fail to identify or assess the magnitude of certain liabilities, shortcomings, or other circumstances prior to acquiring or investing in a business, which could result in additional financial, legal, regulatory, or tax exposure and may subject us to additional controls, policies, procedures, liabilities, litigation, costs of compliance or remediation, or other adverse effects on our business, operating results, or financial condition;
- we may have difficulty entering into new market segments or new geographic territories;
- we may be unable to retain the customers, vendors, and partners of acquired businesses;
- there may be lawsuits or regulatory actions resulting from the transaction;
- there may be risks associated with undetected security weaknesses, cyberattacks, or security breaches or incidents at companies that we acquire or with which we may combine or partner;
- there may be local and foreign regulations applicable to the international activities of our business and the businesses we acquire; and
- acquisitions could result in dilutive issuances of equity securities or the incurrence of debt.

We may also choose to divest certain businesses or product lines. If we decide to sell assets or a business, we may have difficulty obtaining terms acceptable to us in a timely manner, or at all. Additionally, we may experience difficulty separating out portions of, or entire, businesses, incur potential loss of revenue or experience negative impact on margins, or we may not achieve the desired strategic and financial benefits. Such potential transactions may also delay achievement of our strategic objectives, cause us to incur additional expenses, potentially disrupt customer or employee relationships, and expose us to unanticipated or ongoing obligations and liabilities, including as a result of our indemnification obligations. Further, during the pendency of a divestiture, we may be subject to risks related to a decline in the business, loss of employees, customers, or suppliers and the risk that the transaction may not close, any of which would have a material adverse effect on the business to be divested and our retained business. If a divestiture is not completed for any reason, we may not be able to find another buyer on the same terms, and we may have incurred significant costs without the corresponding benefit.

Joint ventures and minority investments inherently involve a lesser degree of control over business operations, thereby potentially increasing the financial, legal, operational, regulatory, and/or compliance risks associated with the joint venture or minority investment. In addition, we may be dependent on joint venture partners, controlling shareholders, management, or other persons or entities who control them and who may have business interests, strategies, or goals that are inconsistent with ours. Business decisions or other actions or omissions of the joint venture partners, controlling shareholders, management, or other persons or entities who control them may adversely affect the value of our investment, result in litigation or regulatory action against us, and may otherwise damage our reputation and brand.

Our recent acquisition of Afterpay will subject us to liabilities that may exist at Afterpay.

Our recent acquisition of Afterpay may pose special risks, including write-offs or restructuring charges, unanticipated costs, and the loss of key employees. There can be no assurance that the integration will be accomplished effectively or in a timely manner. In addition, the acquisition will subject us to liabilities that may exist at Afterpay or may arise in connection with the integration of Afterpay, some of which still may be unknown. There can be no guarantee that we are aware of all liabilities of Afterpay. These liabilities, and any additional risks and uncertainties related to the acquisition not currently known to us or that we may currently deem immaterial or unlikely to occur, could negatively impact our business, financial condition and results of operations.

The failure to integrate our business and Afterpay successfully in the expected time frame would adversely affect our future results.

The success of our acquisition of Afterpay will depend, in large part, on our ability to realize the anticipated benefits from combining our business with Afterpay. Our ability to realize these anticipated benefits depends on the successful integration of our business with Afterpay, which will be complex and time-consuming.

Potential difficulties that may be encountered in the integration process include the following:

- challenges and difficulties associated with managing the larger, more complex, combined company;
- conforming standards, controls, procedures and policies, and compensation structures between the companies;
- integrating personnel from the two companies while maintaining focus on developing, producing and delivering consistent, high quality products and services;
- consolidating corporate and administrative infrastructures;
- coordinating geographically dispersed organizations;
- addressing possible differences in business backgrounds, corporate cultures and management philosophies;
- potential unknown liabilities and unforeseen expenses;
- our ability to deliver on our strategy, including the ability of the transaction to accelerate growth and to strengthen the integration between our Square and Cash App ecosystems; and
- the diversion of management’s attention caused by integrating the companies’ operations.

Our acquisition of a majority interest in TIDAL represents a new line of business for us and subjects us to new risks and uncertainties.

In 2021, we acquired a majority interest in TIDAL which represents a new line of business for us. We will need to continue to rely on the existing TIDAL executive team, as our management team has less experience in the music industry. TIDAL’s business is dependent on the various rights holders. We cannot provide assurances that we or TIDAL will be able to maintain or expand arrangements with partners and other third parties on acceptable terms, if at all. Further, the music industry is highly concentrated, which means we rely on a small number of entities that may take adverse actions or take advantage of their market power to pursue arduous financial or other terms that may adversely affect us or may restrict our ability to innovate and improve our streaming service. Our streaming service also competes for listeners on the basis of the presence and visibility of our app, which is distributed via app stores operated by Apple and Google. We face significant competition for listeners from these companies, which also promote their own music and content. In addition, our competitors’ streaming products may be pre-loaded or integrated into consumer electronics products or automobiles more broadly than our streaming product, which makes such competitors more visible to consumers. If we are unable to compete successfully for listeners against other media providers, then our TIDAL business may suffer.

We expect that operation of the TIDAL business will require continued investment in operating expenses, headcount, and executive time and attention, none of which will ensure that we will be successful. If we fail to successfully operate and grow our TIDAL business, we will not realize the benefits anticipated when we acquired a majority interest in the business, and any such failure could result in adverse effects on our business and financial results, including substantial impairment charges.

Expanding our business globally subjects us to new challenges and risks.

We currently offer our services and products in multiple countries and plan to continue expanding our business further globally. Our acquisition of Afterpay expanded our global presence. Expansion, whether in our existing or new global markets, will require additional resources and controls, and offering our services and products in new geographic regions often requires substantial expenditures and takes considerable time. We may not be successful enough in these new geographies to recoup our investments in a timely manner or at all. Such expansion could also subject our business to substantial risks, including:

- difficulty in attracting a sufficient number of sellers and customers;
- failure to anticipate competitive conditions and competition with service providers or other market-players that have greater experience in the local markets than we do;

- failure to conform with applicable business customs, including translation into foreign languages, cultural context, and associated expenses;
- increased costs and difficulty in protecting intellectual property and sensitive data;
- changes to the way we do business as compared with our current operations or a lack of acceptance of our products and services;
- the ability to support and integrate with local third-party service providers;
- difficulties in staffing and managing foreign operations in an environment of diverse cultures, laws, and customs, challenges caused by distance, language, and cultural differences, and the increased travel, infrastructure, and legal and compliance costs associated with global operations;
- difficulties in recruiting and retaining qualified employees and maintaining our company culture;
- difficulty in gaining acceptance from industry self-regulatory bodies;
- compliance with multiple, potentially conflicting and changing governmental laws and regulations, including with respect to payments, data privacy, data protection, and information security;
- compliance with U.S. and foreign anti-corruption, anti-bribery, and anti-money laundering laws;
- potential tariffs, sanctions, fines, or other trade restrictions;
- exchange rate risk;
- compliance with complex and potentially conflicting and changing laws of jurisdictions where we conduct business, including tax laws;
- increased exposure to public health issues such as pandemics, and related industry and governmental actions to address these issues; and
- regional economic and political instability and other geopolitical risks.

As a result of these risks, our efforts to expand our global operations may not be successful, which could limit our ability to grow our business.

BNPL lending subjects us to increased risks related to defaults in consumer repayments of borrowings and risks related to wholesale funding sources.

Revenue generated from BNPL services depends on our ability to recoup the purchase value of the goods that consumers have purchased using our BNPL services. Although Afterpay relies on technology to assess consumers' repayment capability for each BNPL transaction, there can be no guarantee that such processes will always accurately predict repayments. Miscalculation of consumers' repayment ability or a material increase in repayment failures may adversely impact our results of operations, profitability and prospects.

Afterpay partly funds its BNPL services through receivables financing arrangements with financial institutions in Australia, New Zealand, the United States and the United Kingdom (collectively the "Warehouse Facilities"). Afterpay uses the Warehouse Facilities to support the funding of purchases by consumers. The terms of the Warehouse Facilities contain covenants that may be triggered in certain situations (such as non-repayments on consumer borrowings exceeding certain monetary thresholds or key management resigning), which may negatively impact Afterpay's ability to obtain additional funding under the Warehouse Facilities. If certain events of default occur under the Warehouse Facilities, Afterpay may not be able to draw future funding from those Warehouse Facilities or the debt outstanding under the Warehouse Facilities may be accelerated.

Square Banking subjects us to risks related to bank partnerships and FDIC and other regulatory obligations.

We have partnered, on a non-exclusive basis, with Sutton Bank, an Ohio-chartered, Member FDIC bank, to offer FDIC-insured, business checking accounts for our sellers. The bank is subject to oversight both by the Federal Deposit Insurance Corporation (“FDIC”) and the State of Ohio. Under the terms of our program agreement with Sutton Bank, checking accounts for our sellers are opened and maintained by Sutton Bank. We act as the service provider to, among other things, facilitate communication between our sellers and Sutton Bank. We believe our business checking account program, including applicable records maintained by us and Sutton Bank, complies with all applicable requirements for each participating seller’s deposits to be covered by FDIC insurance, up to the applicable maximum deposit insurance amount. However, if the FDIC were to disagree, the FDIC may not recognize sellers’ claims as covered by deposit insurance in the event Sutton Bank fails and enters receivership proceedings under the Federal Deposit Insurance Act (“FDIA”). If the FDIC were to determine that our checking account program is not covered by deposit insurance, or if Sutton Bank were to actually fail and enter receivership proceedings under the FDIA, participating sellers may withdraw their funds, which could adversely affect our brand, and our business. Due to the fact that we are a service-provider to our bank partner, we are subject to audit standards for third-party vendors in accordance with FDIC guidance and examinations by the FDIC.

Square Savings offers our sellers FDIC-insured, interest bearing savings accounts at Square Financial Services. The deposits held at Square Financial Services are insured by the FDIC up to legal limits. As a FDIC-insured institution, Square Financial Services is assessed a quarterly deposit insurance premium, calculated based on its average consolidated total assets. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, we may be required to pay higher FDIC premiums. Any future additional assessments, increases or required prepayments in FDIC insurance premiums could reduce our profitability and negatively impact our business.

We intend to continue to explore other products, models, and structures for Square Banking. Some of those models or structures may require, or be deemed to require, additional data, procedures, partnerships, licenses, regulatory approvals, or capabilities that we have not yet obtained or developed. The licenses required in connection with our lending program and other activities related to the Square Banking program subject us to reporting requirements, bonding requirements, and inspection by applicable state regulatory agencies. Should we fail to expand and evolve Square Banking in a successful manner, or should these new products, models or structures, or new regulations or interpretations of existing regulations, impose requirements on us that are cumbersome or that we cannot satisfy, our business may be materially and adversely affected.

Square Loans are subject to additional risks related to availability of capital, seller payments, interest rate, deposit insurance premiums, and general macroeconomic conditions.

Square Loans is our commercial lending program. Square Financial Services, as the originator of the loans provided by Square Loans in the U.S., is subject to risks in addition to those described elsewhere in this Annual Report on Form 10-K. Maintaining and growing our Square Loans business is dependent on institutional third-party investors purchasing the eligible business loans originated by us. If such third parties fail to continue to purchase such business loans or reduce the amount of future loans they purchase, then we may need to reduce originations, or we would need to fund the purchase of additional business loans from our own resources. We then may have to reduce the scale of Square Financial Services, which could have a direct impact on our ability to grow. Additionally, Square Financial Services has certain customary repurchase obligations in its loan purchase and servicing agreements with such institutional third-party investors for breaches of certain eligibility representations and warranties. If third parties reduce the price they are willing to pay for these business loans or reduce the servicing fees they pay us in exchange for servicing the business loans on their behalf, then the financial performance of Square Financial Services would be harmed.

The business loans provided by Square Loans are generally unsecured obligations of our sellers, and they are not guaranteed or insured in any way. Adverse changes in macroeconomic conditions or the credit quality of our sellers could cause some sellers who utilize Square Loans to cease operating or to experience a decline in their payment processing volume, thereby rendering them unable to make payment on the business loan and/or extend the repayment period beyond the contractual repayment terms on the business loan. To the extent a seller breaches a contractual obligation, such as the requirement to make minimum payments or other breach, the seller would be liable for an accelerated business loan repayment, where our recourse is to the business and not to any individual or other asset. In addition, because the servicing fees we receive from third-party investors depend on the collectability of the business loans, if there is an increase in sellers who utilize Square Loans who are unable to make repayment of business loans, we will be unable to collect our entire servicing fee for such loans. While our exposure to loans that we sell to third parties is more limited, if the sellers who utilize

Square Loans are unable to repay their loans, the risk of loss in our owned loan portfolio will increase and our business may be adversely affected.

In addition, adverse changes in macroeconomic conditions may lead to a decrease in the number of sellers eligible for Square Loans and may strain our ability to correctly identify such sellers or manage the risk of non-payment or fraud as servicer of the business loans. If we fail to correctly predict the likelihood of timely repayment or correctly price such business loans, our business may be materially and adversely affected.

Square Financial Services' profitability depends, in part, on its net interest income. Net interest income is the difference between interest income earned on interest-bearing assets, such as loans and securities, and interest expense paid on interest-bearing liabilities, such as deposits and borrowed funds. Changes in interest rates and monetary policy can impact the demand for new loans, the credit profile of our borrowers, the yields earned on loans and securities, and the rates paid on deposits and borrowings. The impact of any sudden and substantial move in interest rates and/or increased competition may have an adverse effect on our business, financial condition and results of operations, as our net interest income may be adversely affected.

Operational Risks

We, our sellers, our partners, and others who use our services obtain and process a large amount of sensitive data. Any real or perceived improper or unauthorized use of, disclosure of, or access to such data could harm our reputation as a trusted brand, as well as have a material and adverse effect on our business.

We, our sellers, and our partners, including third-party vendors and data centers that we use, obtain and process large amounts of sensitive data, including data related to our customers, our sellers' customers, and their transactions. We face risks, including to our reputation as a trusted brand, in the handling and protection of this data. These risks will increase as our business continues to expand to include new products, subsidiaries, and technologies, and as we and our third-party vendors rely on an increasingly distributed workforce. Our operations involve the storage and transmission of sensitive information of individuals and businesses using our services, including their names, addresses, social security/tax ID numbers (or foreign equivalents), government IDs, payment card numbers and expiration dates, bank account information, loans they have applied for or obtained, and data regarding the performance of our sellers' businesses. Additionally, certain of our products and services are subject to the Health Insurance Portability and Accountability Act of 1996 (and the rules and regulations thereunder, as amended, including with respect to the HITECH Act) (HIPAA), and therefore we are required to take measures to safeguard protected health information of our health care entity-sellers' customers when using those products. Our services also provide third-party developers the opportunity to provide applications to sellers in the Square and Weebly app marketplaces. Sellers who choose to use such applications can grant permission allowing the applications to access content created or held by sellers in their Square or Weebly account. Should our internal or third-party developers experience or cause a breach or a technological bug, that could lead to a compromise of the content of data held by such sellers, including personal data.

Our products and services operate in conjunction with, and we are dependent upon, third-party products and components across a broad ecosystem. There have been and may continue to be significant attacks on certain third-party providers, and we cannot guarantee that our or our third-party developers or vendors' systems and networks have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our products and services. If there is a security vulnerability, error, or other bug in one of these third-party products or components and if there is a security exploit targeting them, we could face increased costs, claims and liability, proceedings and litigation, reduced revenue, or harm to our reputation or competitive position. The natural sunset of third-party products and operating systems that we use requires our personnel to reallocate time and attention to migration and updates, during which period potential security vulnerabilities could be exploited.

More generally, if our privacy, data protection, or data security measures or those of third party developers or vendors are inadequate or are breached or otherwise compromised, and, as a result, there is improper disclosure of or someone obtains unauthorized access to or exfiltrates funds, bitcoin, investment or other assets, or other sensitive information on our systems or our partners' systems, or if we, our third-party developers or vendors suffer a ransomware or advanced persistent threat attack, or if any of the foregoing is reported or perceived to have occurred, our reputation and business could be damaged. If the sensitive information or assets are lost or improperly accessed, misused, disclosed, destroyed, or altered or threatened to be improperly accessed, misused, disclosed, destroyed, or altered, we could incur significant financial losses

and costs and liability associated with remediation and the implementation of additional security measures and be subject to claims, litigation, regulatory scrutiny, and investigations.

Under payment card rules and our contracts with our card processors and other counterparties, if there is a breach of payment card information that we store or that is stored by our sellers or other third parties with which we do business, we could be liable to the payment card issuing banks for certain of their costs and expenses. Additionally, if our own confidential business information were improperly disclosed, our business could be materially and adversely affected. A core aspect of our business is the reliability and security of our payments platforms. Any perceived or actual breach of security or other type of security incident, regardless of how it occurs or the extent or nature of the breach or incident, could have a significant impact on our reputation as a trusted brand, cause us to lose existing sellers or other customers, prevent us from obtaining new sellers and other customers, require us to expend significant funds to remedy problems caused by breaches and incidents and to implement measures in an effort to prevent further breaches and incidents, and expose us to legal risk and potential liability including those resulting from governmental or regulatory investigations, class action litigation, and costs associated with remediation, such as fraud monitoring and forensics. Any actual or perceived security breach or incident at a company providing services to us or our customers could have similar effects. Further, any actual or perceived security breach or incident with respect to the bitcoin and blockchain ledger, regardless of whether such breach directly affects our products and services, could have negative reputational effects and harm customer trust in us and our products and services.

While we maintain cybersecurity insurance, our insurance may be insufficient to cover all liabilities incurred by such attacks. We cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, premiums, or deductibles could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Our products and services may not function as intended due to errors in our software, hardware, and systems, product defects, or due to security breaches or incidents or human error in administering these systems, which could materially and adversely affect our business.

Our software, hardware, systems, and processes may contain undetected errors or vulnerabilities that could have a material adverse effect on our business, particularly to the extent such errors or vulnerabilities are not detected and remedied quickly. We have from time to time found defects in our customer-facing software and hardware, internal systems, and technical integrations with third-party systems, and new errors or vulnerabilities may be introduced in the future. If there are such errors or defects in our software, hardware, or systems, we may face negative publicity, government investigations, and litigation. Additionally, Square relies on a limited number of component and product suppliers located outside of the U.S. to manufacture its products. As a result, our direct control over production and distribution is limited and it is uncertain what effect such diminished control will have on the quality of Square's products. If there are defects in the manufacture of Square's hardware products, we may face similar negative publicity, investigations, and litigation, and Square may not be fully compensated by its suppliers for any financial or other liability that it suffers as a result. As our hardware and software services continue to increase in size and complexity, and as we integrate new, acquired subsidiaries with different technology stacks and practices, these risks may correspondingly increase as well.

In addition, we provide frequent incremental releases of product and service updates and functional enhancements, which increase the possibility of errors. The products and services we provide are designed to process complex transactions and deliver reports and other information related to those transactions, all at high volumes and processing speeds. Any errors, data leaks, security breaches or incidents, disruptions in services, or other performance problems with our products or services caused by external or internal actors could hurt our reputation and damage our customers' businesses. Software and system errors, or human error, could delay or inhibit settlement of payments, result in oversettlement, cause reporting errors, or prevent us from collecting transaction-based fees, or negatively impact our ability to serve our customers, all of which have occurred in the past. Similarly, security breaches or incidents such as cyber-attacks or identity theft could disrupt the proper functioning of our software products or services, cause errors, allow loss or unavailability of, unauthorized access to, or disclosure of, proprietary, confidential or otherwise sensitive information of ours or our customers, and other destructive outcomes. Moreover, security breaches or incidents or errors in our hardware or software design or manufacture could cause product safety issues typical of consumer electronics devices. Any of the foregoing issues could lead to product recalls and inventory shortages, result in costly and time-consuming efforts to redesign and redistribute our products, give rise to regulatory inquiries and investigations, and result in lawsuits and other liabilities and losses, which could have a material and adverse effect on our business.

Additionally, electronic payment, hardware, and software products and services, including ours, have been, and could continue to be in the future, specifically targeted and penetrated or disrupted by hackers and other malicious actors. Because the techniques used to obtain unauthorized access to data, products, and services and to disable, degrade, or sabotage them change frequently and may be difficult to detect or remediate for long periods of time, we and our customers may be unable to anticipate these techniques or implement adequate preventative measures to stop them. If we or our sellers or other customers are unable to anticipate or prevent these attacks, our sellers' or other customers may be harmed, our reputation could be damaged, and we could incur significant liability.

Systems failures, interruptions, delays in service, catastrophic events, and resulting interruptions in the availability of our products or services, or those of our sellers, could harm our business and our brand, and subject us to substantial liability.

Our systems and those of our third-party vendors, including data center facilities, may experience service interruptions, outages, cyber-attacks and security breaches and incidents, human error, earthquakes, hurricanes, floods, pandemics, fires, other natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks and other geopolitical unrest, computer viruses, ransomware, and other malicious software, changes in social, political, or regulatory conditions or in laws and policies, or other changes or events. Our systems and facilities are also subject to break-ins, sabotage, and acts of vandalism. Some of our systems are not fully redundant, and our disaster-recovery planning is not sufficient for all eventualities. In addition, as a provider of payments solutions and other financial services, we are subject to increased scrutiny by regulators that may require specific business continuity and disaster recovery plans and more rigorous testing of such plans. This increased scrutiny may be costly and time-consuming and may divert our resources from other business priorities.

We have experienced and will likely continue to experience denial-of-service and other cyber-attacks, system failures, outages, security incidents, and other events or conditions that interrupt the availability, data integrity, or reduce the speed or functionality of our products and services. These events have resulted and likely will result in loss of revenue. In addition, they could result in significant expense to repair or replace damaged equipment and remedy resultant data loss or corruption. The risk of cybersecurity incidents is increasing as we experience an increase in electronic payments, e-commerce, and other online activity, and we cannot provide assurances that our preventative efforts will be successful. A prolonged interruption in the availability or reduction in the speed or other functionality of our products or services could materially harm our reputation and business. Frequent or persistent interruptions in our products and services could cause customers to believe that our products and services are unreliable, leading them to switch to our competitors or to avoid our products and services, and could permanently harm our reputation and business. Moreover, to the extent that any system failure or similar event results in damages to customers or contractual counterparties, these customers and contractual counterparties could seek compensation from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address.

A significant natural or man-made disaster could have a material and adverse impact on our business. Certain of our offices and data center facilities are located in the San Francisco Bay Area, a region known for seismic activity. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our offices or data centers could result in lengthy interruptions in our services or could result in related liabilities. We do not maintain insurance sufficient to compensate us for the potentially significant losses that could result from disruptions to our services.

Significant natural or other disasters, including pandemics, could also have a material and adverse impact on our sellers or other customers, which, in the aggregate, could in turn adversely affect our results of operations.

The loss or destruction of a private key required to access our bitcoin may be irreversible. If we are unable to access our private keys or if we experience a hack or other data loss relating to the bitcoins we hold on behalf of ourselves and our customers, we and our customers may be unable to access such bitcoins and it could harm customer trust in us and our products.

Bitcoins are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the bitcoins are held. While the bitcoin and blockchain ledger require a public key relating to a digital wallet to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the bitcoins held in such digital wallet. To the extent any of our private keys are lost, destroyed, or otherwise compromised and no backup of such private key is accessible, we will be unable to access the bitcoins held in the related digital wallet. Additionally, we use a third party custodian to store a portion of our bitcoins in an

offline and air-gapped cold storage. Any inappropriate access or theft of bitcoins held by our custodian, or the custodian's failure to maintain effective controls over the custody and other settlement services provided to us, could materially and adversely affect us. We cannot provide assurance that the digital wallets used to store our and our customers' bitcoins will not be hacked or compromised. The bitcoin and blockchain ledger, as well as other cryptocurrencies and blockchain technologies, have been, and may in the future be, subject to security breaches or incidents, hacking, or other malicious activities. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store our customers' bitcoins could adversely affect our customers' ability to access or sell their bitcoins and could harm customer trust in us and our products, require us to expend significant funds for remediation, and expose us to litigation and other potential liability. Additionally, any loss of private keys relating to, or hack or other compromise of, digital wallets used by third parties to store bitcoins or other cryptocurrencies could have negative reputational effects on us and harm customer trust in us and our products. As the number of customers who use our bitcoin product has increased and the value of bitcoins we hold on behalf of such customers has grown significantly, the risks and consequences of such adverse events have increased and could materially and adversely affect our business.

Our risk management efforts may not be effective, which could expose us to losses and liability and otherwise harm our business.

We offer payments and other products and services to a large number of customers. We have programs to vet and monitor these customers and the transactions we process for them as part of our risk management efforts, but such programs require continuous improvement and may not be effective in detecting and preventing fraud and illegitimate transactions. When our payments services are used to process illegitimate transactions, and we settle those funds to customers and are unable to recover them, we suffer losses and liability. As a greater number of larger sellers use our services, our exposure to material risk losses from a single seller, or from a small number of sellers, will increase. Illegitimate transactions can also expose us to governmental and regulatory enforcement actions and potentially prevent us from satisfying our contractual obligations to our third-party partners, which may cause us to be in breach of our obligations. The highly automated nature of, and liquidity offered by, our payments and peer-to-peer services make us and our customers a target for illegal or improper uses, including scams and fraud directed at Cash App customers, fraudulent or illegal sales of goods or services, money laundering, and terrorist financing. Identity thieves and those committing fraud using stolen or fabricated credit card, debit card, or bank account numbers, or other deceptive or malicious practices, potentially can steal significant amounts of money from businesses like ours or from our customers or third parties. Our risk management policies, procedures, techniques, and processes may not be sufficient to identify all of the risks to which we are exposed, to enable us to prevent or mitigate the risks we have identified, or to identify additional risks to which we may become subject in the future. Our current business, changes due to COVID-19 and the related economic impact, and anticipated domestic and international growth will continue to place significant demands on our risk management and compliance efforts, and we will need to continue developing and improving our existing risk management infrastructure, techniques, and processes. In addition, when we introduce new services, such as Square Banking and BNPL, expand existing services, including online payment acceptance, focus on new business areas, including consumer financing and loans, or begin to operate in markets where we have a limited history of fraud loss, we may be less able to forecast and carry appropriate reserves on our books for those losses. Additionally, we recently launched Cash App Teens, making certain Cash App functions, such as Cash Card, limited peer-to-peer payments, and direct deposits available to teenagers between the ages of 13 through 17 with the authorization of a parent or guardian. The risks and the potential harm to our reputation are magnified in instances of fraud or unauthorized or inappropriate transactions involving minors.

While we maintain a program of insurance coverage for various types of liabilities, we may self-insure against certain business risks and expenses where we believe we can adequately self-insure against the anticipated exposure and risk or where insurance is either not deemed cost-effective or unavailable.

We are currently, and will continue to be, exposed to risks associated with chargebacks and refunds in connection with payment card fraud or relating to the goods or services provided by our sellers. In the event that a billing dispute between a cardholder and a seller is not resolved in favor of the seller, including in situations where the seller engaged in fraud, the transaction is typically "charged back" to the seller and the purchase price is credited or otherwise refunded to the cardholder. The risk of chargebacks is typically greater with our sellers that promise future delivery of goods and services. Moreover, chargebacks typically increase during economic downturns due to sellers becoming insolvent or bankrupt or otherwise unable to fulfill their commitments for goods or services. Additionally, the recent global supply chain disruptions and shortages related to the COVID-19 pandemic have negatively affected sellers' ability to deliver goods and services on time or at all, which increases the risk of chargebacks. If we are unable to collect chargebacks or refunds from the seller's account, or if the seller refuses to or is unable to reimburse us for chargebacks or refunds due to closure, bankruptcy, or other

reasons, we, as the merchant of record, may bear the loss for the amounts paid to the cardholder. We collect and hold reserves for a limited number of sellers whose businesses are deemed higher risk in order to help cover potential losses from chargebacks and refunds, but this practice is limited and there can be no assurances that we will be successful in mitigating such losses. Our financial results would be adversely affected to the extent sellers do not fully reimburse us for the related chargebacks and refunds. Moreover, since October 2015, businesses that cannot process EMV chip cards are held financially responsible for certain fraudulent transactions conducted using chip-enabled cards. Not all of the readers we offer to merchants are EMV-compliant. If we are unable to maintain our losses from chargebacks at acceptable levels, the payment card networks could fine us, increase our transaction-based fees, or terminate our ability to process payment cards. Any increase in our transaction-based fees could damage our business, and if we were unable to accept payment cards, our business would be materially and adversely affected. If any of our risk management policies and processes, including self-insurance or holding seller reserves, are ineffective, we may suffer large financial losses, we may be subject to civil and criminal liability, and our business may be materially and adversely affected.

We are dependent on payment card networks and acquiring processors, and any changes to their rules or practices could harm our business.

Our business depends on our ability to accept credit and debit cards, and this ability is provided by the payment card networks, including Visa, MasterCard, American Express, and Discover. In a majority of these cases, we do not directly access the payment card networks that enable our acceptance of payment cards. As a result, we must rely on banks and acquiring processors to process transactions on our behalf. Our acquiring processor agreements have terms ranging from two to six years. These banks and acquiring processors may fail or refuse to process transactions adequately, may breach their agreements with us, or may refuse to renegotiate or renew these agreements on terms that are favorable or commercially reasonable. They might also take actions that degrade the functionality of our services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including their own services. If we are unsuccessful in establishing, renegotiating, or maintaining mutually beneficial relationships with these payment card networks, banks, and acquiring processors, our business may be harmed.

The payment card networks and our acquiring processors require us to comply with payment card network operating rules, including special operating rules that apply to us as a “payment facilitator” providing payment processing services to merchants. The payment card networks set these network rules and have discretion to interpret the rules and change them at any time. Changes to these network rules or how they are interpreted could have a significant impact on our business and financial results. For example, changes in the payment card network rules regarding chargebacks may affect our ability to dispute chargebacks and the amount of losses we incur from chargebacks. Any changes to or interpretations of the network rules that are inconsistent with the way we or our acquiring processors currently operate may require us to make changes to our business that could be costly or difficult to implement. If we fail to make such changes or otherwise resolve the issue with the payment card networks, the networks could fine us or prohibit us from processing payment cards. In addition, violations of the network rules or any failure to maintain good relationships with the payment card networks could impact our ability to receive incentives from them, could increase our costs, or could otherwise harm our business. If we were unable to accept payment cards or were limited in our ability to do so, our business would be materially and adversely affected.

We are required to pay interchange and assessment fees, processing fees, and bank settlement fees to third-party payment processors and financial institutions. From time to time, payment card networks have increased, and may increase in the future, the interchange fees and assessments that they charge for each transaction processed using their networks. In some cases, we have negotiated favorable pricing with acquiring processors and networks that are contingent on certain business commitments and other conditions. If we fail to meet such conditions, the fees we are charged will rise. Moreover, our acquiring processors and payment card networks may refuse to renew our agreements with them on terms that are favorable, commercially reasonable, or at all. Interchange fees or assessments are also subject to change from time to time due to government regulation. Because we generally charge our sellers a standard rate for our managed payments services, rather than passing through interchange fees and assessments to our sellers directly, any increase or decrease in interchange fees or assessments or in the fees we pay to our acquiring processors could make our pricing less competitive, lead us to change our pricing model, or adversely affect our margins, all of which could materially harm our business and financial results. Likewise, we have negotiated favorable pricing for the processing fees we pay to the payment card networks for peer-to-peer transactions on our Cash App. As such, an increase in interchange fees or assessments could raise our costs for such transactions, which could materially harm our business and financial results.

We could be, and in the past have been, subject to penalties from payment card networks if we fail to detect that sellers are engaging in activities that are illegal, contrary to the payment card network operating rules, or considered “high

risk.” We must either prevent high-risk sellers from using our products and services or register such high-risk sellers with the payment card networks and conduct additional monitoring with respect to such high-risk sellers. Any such penalties could become material and could result in termination of our ability to accept payment cards or could require changes in our process for registering new sellers. This could materially and adversely affect our business.

We rely on third parties and their systems for a variety of services, including the processing of transaction data and settlement of funds to us and our customers, and these third parties’ failure to perform these services adequately could materially and adversely affect our business.

To provide our products and services, we rely on third parties that we do not control, such as the payment card networks, our acquiring and issuing processors, the payment card issuers, a carrying broker, various financial institution partners, systems like the Federal Reserve Automated Clearing House, and other partners. We rely on these third parties for a variety of services, including the transmission of transaction data, processing of chargebacks and refunds, settlement of funds to our sellers, certain brokerage services, storing customer funds, authorizing payment transactions under our various card programs, originating loans to customers, and the provision of information and other elements of our services. For example, we currently rely on three acquiring processors for each of the United States, Canada, and Japan and two for each of Australia and the United Kingdom. While we believe there are other acquiring processors that could meet our needs, adding or transitioning to new providers may significantly disrupt our business and increase our costs. In the event these third parties fail to provide these services adequately, including as a result of financial difficulty or insolvency, errors in their systems, outages or events beyond their control, or refuse to provide these services on terms acceptable to us or at all, and we are not able to find suitable alternatives, our business may be materially and adversely affected. We have in the past experienced outages with third parties we have worked with, which has affected the ability to process payments for cards issued under our own brands.

We depend on key management, as well as our experienced and capable employees, and any failure to attract, motivate, and retain our employees could harm our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our executives and other key employees. If we lose the services of any member of management or any key personnel, we may not be able to locate a suitable or qualified replacement, and we may incur additional expenses to recruit and train a replacement, which could severely disrupt our business and growth.

To maintain and grow our business, we will need to identify, attract, hire, develop, motivate, and retain highly skilled employees. This requires significant time, expense, and attention. In addition, from time to time, there may be changes in our management team that may be disruptive to our business. If our management team, including any new hires that we make, fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area where some of our offices are located. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. Additionally, potential changes in U.S. immigration policy may make it difficult to renew or obtain visas for any highly skilled personnel that we have hired or are actively recruiting. Furthermore, our international expansion and our business in general may be materially adversely affected if legislative or administrative changes to immigration or visa laws and regulations impair our hiring processes or projects involving personnel who are not citizens of the country where the work is to be performed. If we are not able to add and retain employees effectively, our ability to achieve our strategic objectives will be adversely affected, and our business and growth prospects will be harmed.

If we do not continue to improve our operational, financial, and other internal controls and systems to manage growth effectively, our business could be harmed.

Our current business and anticipated growth, as well as our entry into new lines of business and our acquisitions, will continue to place significant demands on our management and other resources. In order to manage our growth effectively, we must continue to strengthen our existing infrastructure and operational procedures, enhance our internal controls and reporting systems, and ensure we timely and accurately address issues as they arise. In particular, our continued growth will increase the challenges involved in:

- improving existing and developing new internal administrative infrastructure, particularly our operational, financial, communications, and other internal systems and procedures;

- successfully expanding and implementing internal controls as they relate to our new lines of business and any acquired businesses;
- installing enhanced management information and control systems; and
- preserving our core values, strategies, and goals and effectively communicating these to our employees worldwide.

These challenges have increased as we shift to a more distributed workforce. If we are not successful in developing and implementing the right processes and tools to manage our enterprise, our ability to compete successfully and achieve our business objectives could be impaired.

These efforts may require substantial financial expenditures, commitments of resources, developments of our processes, and other investments and innovations. As we grow and our business model evolves, we must balance the need for additional controls and systems with the ability to efficiently develop and launch new features for our products and services. However, it is likely that as we grow, we will not be able to launch new features, or respond to customer or market demands as quickly as a smaller, more efficient organization. If we do not successfully manage our growth, our business will suffer.

Additionally, our key metrics are calculated using internal company data based on the activity we measure on our platforms and may be compiled from multiple systems, including systems that are organically developed or acquired through business combinations. There are inherent challenges and limitations in measuring our business globally at scale, and the methodologies used to calculate our key metrics inherently require some judgment. We regularly review our processes for calculating these key metrics, and from time to time we may make adjustments to improve their accuracy or relevance. Further, as our business develops, we may revise or cease reporting metrics if we determine that such metrics are no longer appropriate measures of our performance. If investors do not consider our reporting metrics to accurately reflect our business or they disagree with our methodologies, our reputation may be harmed and our business may be adversely impacted.

Many of our key components are procured from a single or limited number of suppliers. Thus, we are at risk of shortage, price increases, tariffs, changes, delay, or discontinuation of key components, which could disrupt and materially and adversely affect our business.

Many of the key components used to manufacture our products, such as the custom parts of our magstripe reader come from limited or single sources of supply. In addition, in some cases, we rely only on one manufacturer to fabricate, test, and assemble our products. For example, a single manufacturer assembles our magstripe reader and our contactless and chip reader, as well as manufactures those products' plastic parts with custom tools that we own but that the manufacturer maintains on its premises. The term of the agreement with that manufacturer automatically renews for consecutive one-year periods unless either party provides notice of non-renewal. In general, our contract manufacturers fabricate or procure components on our behalf, subject to certain approved procedures or supplier lists, and we do not have firm commitments from all of these manufacturers to provide all components, or to provide them in quantities and on timelines that we may require. For example, pursuant to a development and supply agreement, a component supplier provides design, development, customization, and related services for components of the magnetic stripe-reading element in some of our products. The term of the agreement renews for consecutive one-year periods unless either party provides notice of non-renewal. Similarly, a component provider develops certain application-specific integrated circuits for our products pursuant to our designs and specifications. The term of our agreement with this provider renews for successive two-year terms unless either party provides notice of non-renewal.

Due to our reliance on the components or products produced by suppliers such as these, we are subject to the risk of shortages and long lead times or other disruptions in the supply of certain components or products. Our ongoing efforts to identify alternative manufacturers for the assembly of our products and for many of the single-sourced components used in our products may not be successful. In the case of off-the-shelf components, we are subject to the risk that our suppliers may discontinue or modify them, or that the components may cease to be available on commercially reasonable terms, or at all. We have in the past experienced, and may in the future experience, component shortages or delays or other problems in product assembly, and the availability of these components or products may be difficult to predict. For example, our manufacturers may experience temporary or permanent disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, the occurrence of a contagious disease or illness, component or material shortages, cost increases, acquisitions, insolvency, bankruptcy, business shutdowns, trade restrictions, changes in legal or regulatory requirements, or other similar problems. The current global supply chain disruptions and shortages, in particular with respect to integrated circuits, have affected our supply chain and resulted in low levels of inventory for some of our hardware products. We therefore may be unable to timely fulfill orders for some hardware products. These hardware

shortages could negatively affect our ability to serve and acquire sellers, and if such shortages continue for an extended period of time, could materially and adversely impact our financial results.

Additionally, various sources of supply-chain risk, including strikes or shutdowns at delivery ports or loss of or damage to our products while they are in transit or storage, intellectual property theft, losses due to tampering, third-party vendor issues with quality or sourcing control, failure by our suppliers to comply with applicable laws and regulation, potential tariffs or other trade restrictions, or other similar problems could limit or delay the supply of our products or harm our reputation. In the event of a shortage or supply interruption from suppliers of these components, such as the current global shortage of integrated circuits, we may not be able to develop alternate sources quickly, cost-effectively, or at all. Any interruption or delay in manufacturing, component supply, any increases in component costs, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would harm our ability to provide our products to sellers on a timely basis or impact our cost of goods sold. This could harm our relationships with our sellers, prevent us from acquiring new sellers, and materially and adversely affect our business.

Some of our hardware devices manufactured in China are subject to 25% tariffs when imported to the United States, while some other hardware devices are subject to tariffs at 7.5%. These tariffs negatively affect the gross margin on the impacted products, which only partially has been offset by adjustments to the prices of some of the affected products. Any future tariffs and actions related to items imported from China or elsewhere could also negatively impact our gross margin on the impacted products, and increases in our pricing as a result of tariffs would reduce the competitiveness of our products if our competitors do not make similar pricing adjustments. The impact of any increased or new tariffs or other trade restrictions could have a material and adverse effect on our business, financial condition, and results of future operations.

Our business could be harmed if we are unable to accurately forecast demand for our products and to adequately manage our product inventory.

We invest broadly in our business, and such investments are partially driven by our expectations of the future success of a product. For example, our products such as the Square Reader often require investments with long lead times. An inability to correctly forecast the success of a particular product could harm our business. We must forecast inventory needs and expenses and place orders sufficiently in advance with our third-party suppliers and contract manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in demand for our products or for our competitors' products, unanticipated changes in general market or economic conditions, and business closures and other actions taken to combat COVID-19.

If we underestimate demand for a particular product, our contract manufacturers and suppliers may not be able to deliver sufficient quantities of that product to meet our requirements, and we may experience a shortage of that product available for sale or distribution. If we overestimate demand for a particular product, we may experience excess inventory levels for that product and the excess inventory may become obsolete or out-of-date. Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at further discounted prices, which could negatively impact our gross profit and our business.

Our services must integrate with a variety of operating systems, and the hardware that enables merchants to accept payment cards must interoperate with third-party mobile devices utilizing those operating systems. If we are unable to ensure that our services or hardware interoperate with such operating systems and devices, our business may be materially and adversely affected.

We are dependent on the ability of our products and services to integrate with a variety of operating systems, as well as web browsers, that we do not control. Any changes in these systems that degrade the functionality of our products and services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including their own services, could materially and adversely affect usage of our products and services. In addition, we rely on app marketplaces, such as the Apple App Store and Google Play, to drive downloads of our mobile apps. Apple, Google, or other operators of app marketplaces regularly make changes to their marketplaces, and those changes may make access to our products and services more difficult. In the event that it is difficult for our customers to access and use our products and services, our business may be materially and adversely affected. Furthermore, Apple, Google, or other operators of app marketplaces regularly provide software updates, and such software updates may not operate effectively with our products and services, which may reduce the demand for our products and services, result in dissatisfaction by our customers, and may materially and adversely affect our business.

In addition, Square hardware interoperates with wired and wireless interfaces to mobile devices developed by third parties. For example, the current versions of Square's magstripe reader plug into an audio jack or a Lightning connector. The use of these connection types could change, and such changes and other potential changes in the design of future mobile devices could limit the interoperability of our hardware and software with such devices and require modifications to our hardware or software. If we are unable to ensure that our hardware and software continue to interoperate effectively with such devices, if doing so is costly, or if existing merchants decide not to utilize additional parts necessary for interoperability, our business may be materially and adversely affected.

Our TIDAL services depend upon maintaining complex licenses with copyright owners, and it is difficult to estimate the amount payable under our license agreements.

Under TIDAL's license agreements and relevant statutes, we must pay all required royalties to record labels, music publishers, and other copyright owners in order to stream, distribute, and display content. The determination of the amount and timing of such payments is complex and subject to a number of variables, including the type of content accessed, the country in which it is accessed, the service tier such content is streamed on, the identity of the license holder to whom royalties are owed, the current size of our subscriber base, the applicability of any most favored nations provisions, and any applicable fees, waivers, and discounts, among other variables.

We also expect to implement new internal controls related to the TIDAL business in addition to the existing controls TIDAL currently maintains. If we fail to implement and maintain effective controls relating to rights holder liabilities, we may underpay/under-accrue or overpay/over-accrue the royalty amounts payable to record labels, music publishers, and other copyright owners. Failure to accurately pay our royalties may damage our business relationships, our reputation, and adversely affect our business, operating results, and financial condition.

Economic, Financial, and Tax Risks

The ongoing COVID-19 pandemic and measures intended to prevent its spread may have a material and adverse effect on our business and results of operations.

Global health concerns relating to the COVID-19 pandemic and related government actions taken to reduce the spread of the virus have been weighing on the macroeconomic environment, and the pandemic has increased economic uncertainty and reduced economic activity. Small businesses, which constitute a large part of our sellers, have been impacted particularly hard. The pandemic has resulted in government authorities and businesses implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place or total lock-down orders, school closures, and business limitations and shutdowns. Such measures have at times negatively impacted consumer and business spending. Further, the pandemic has contributed to worldwide supply chain disruption, which has adversely affected, and is expected to continue to adversely affect, businesses and the economy. In addition, inflation in light of the economic recovery has impacted and may continue to impact consumer spending and the economy as a whole.

The pandemic has caused us to modify our business practices to help minimize the risk of the virus to our employees, our customers, and the communities in which we participate, which could negatively impact our business. We continue to permit employees to work remotely. As the availability of vaccines has increased, we have gradually begun a phased reopening of our offices. Where local health guidelines permit, vaccinated employees have been allowed to return to offices on a voluntary basis in the U.S. We continue to employ additional safety measures in our offices, including enhanced cleaning and sanitation, limiting external guests visiting our offices, and holding most meetings and events virtually. Local conditions may require us to move back under more restrictive guidelines, which could include mandatory remote work and additional safety measures. Given the continually evolving situation, there is no certainty that the measures we have taken will be sufficient to mitigate the risks posed by the virus.

The extent to which the COVID-19 pandemic continues to impact our business, results of operations, and financial condition will depend on developments that remain uncertain and difficult to predict, including, but not limited to, the duration and spread of the pandemic, the existence of new variants and mutations of the virus and their severity, the actions to contain the virus or treat its impact, the availability, distribution and efficacy of vaccines, and how quickly and to what extent normal economic and operating conditions resume. Even after the COVID-19 pandemic has subsided, we may experience material and adverse impacts to our business as a result of the virus's global economic impact, including the availability of credit, bankruptcies or insolvencies of customers, and recession or economic downturn.

A deterioration of general macroeconomic conditions could materially and adversely affect our business and financial results.

Our performance is subject to economic conditions and their impact on levels of spending by businesses and individuals. Most of the sellers that use our services are small businesses, many of which are in the early stages of their development, and these businesses are often disproportionately adversely affected by economic downturns and may fail at a higher rate than larger or more established businesses. In fact, small businesses have been, and continue to be, disproportionately affected by the COVID-19 pandemic and the related measures taken by governments and private industry to protect the public health such as stay-at-home orders. Some businesses are experiencing reduced sales and are processing fewer payments with us. If these small businesses cease to operate, they will likely stop using our products and services altogether. Small businesses frequently have limited budgets and limited access to capital, and they may choose to allocate their spending to items other than our financial or marketing services, especially in times of economic uncertainty or in recessions. In addition, if more of our sellers cease to operate, this may have an adverse impact not only on the growth of our payments services but also on our transaction and advance loss rates, and the success of our other services. For example, if sellers processing payments with Square receive chargebacks after they cease to operate, we may incur additional losses. Additionally, the growth in the number of Square sellers qualifying for participation in the Square Loans program may slow, or business loans may be paid more slowly, or not at all. In addition, as we expand our business to offer consumer financing products, those customers may also be disproportionately adversely affected by economic downturns.

Further, our suppliers, distributors, and other third party partners may suffer their own financial and economic challenges. Such suppliers and third parties may demand pricing accommodations, delay payment, or become insolvent, which could harm our ability to meet end customer demands or collect revenue or otherwise could harm our business. Furthermore, our investment portfolio, which includes U.S. government and corporate securities, is subject to general credit, liquidity, market, and interest rate risks, which may be exacerbated by certain events that affect the global financial markets. If global credit and equity markets decline for extended periods, or if there is a downgrade of the securities within our portfolio, our investment portfolio may be adversely affected and we could determine that our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely affect our financial results. Thus, if general macroeconomic conditions deteriorate, our business and financial results could be materially and adversely affected.

The COVID-19 pandemic and health measures taken by governments and private industry in response to the pandemic, including stay-at-home orders, restrictions on business operations, and travel restrictions, have had significant negative effects on the economy. Continued uncertainty about the pandemic and potential relief measures may have a long-term adverse effect on the economy, our sellers, customers, suppliers, and our business. For example, the pandemic has contributed to significant supply chain disruption which has adversely affected our sellers and the economy in general and such disruption is expected to continue. In addition, we are currently subletting some of our office space. An economic downturn or our work-from-home practices may cause us to need less office space than we are contractually committed to leasing and prevent us from finding subtenants for such unused office space, causing us to pay for unused office space.

We are also monitoring developments related to the United Kingdom's exit from the European Union. Brexit could have significant implications for our business and could lead to economic and legal uncertainty and increasingly divergent laws, regulations, and licensing requirements. Any of these effects of Brexit, among others, could adversely affect our operations and financial results.

We may not be able to secure financing on favorable terms, or at all, to meet our future capital needs, and our existing credit facility and our senior unsecured notes contain, and any future debt financing may contain, covenants that impact the operation of our business and pursuit of business opportunities.

We have funded our operations since inception primarily through debt and equity financings, bank credit facilities, finance lease arrangements, and cash from operations. While we believe that our existing cash and cash equivalents, marketable debt securities, and availability under our line of credit are sufficient to meet our working capital needs and planned capital expenditures, and service our debt, there is no guarantee that this will continue to be true in the future. In the future, we may require additional capital to respond to business opportunities, refinancing needs, business and financial challenges, regulatory surety bond requirements, acquisitions, or unforeseen circumstances and may decide to engage in equity, equity-linked, or debt financings or enter into additional credit facilities for other reasons. We may not be able to secure any such additional financing or refinancing on favorable terms, in a timely manner, or at all. If we are unable to

obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

Our credit facility contains affirmative and negative covenants, including customary limitations on the incurrence of certain indebtedness and liens, restrictions on certain inter-company transactions, and limitations on dividends and stock repurchases. The indentures pursuant to which our 2026 Senior Notes and 2031 Senior Notes were issued contain financial and other covenants that restrict or could restrict, among other things, our business and operations. Any debt financing obtained by us in the future could also involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to operate our business, obtain additional capital, and pursue business opportunities, including potential acquisitions. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under our existing credit facility or our senior notes and any future financing agreements into which we may enter. If not waived, these defaults could cause indebtedness outstanding under our credit facility, our 2026 Senior Notes and 2031 Senior Notes (collectively, the “Senior Notes”), our other outstanding indebtedness, including our 2022 Convertible Notes, 2023 Convertible Notes, 2025 Convertible Notes, 2026 Convertible Notes, and 2027 Convertible Notes (collectively, the “Convertible Notes,” and together with the Senior Notes, the “Notes”), and any future financing agreements that we may enter into to become immediately due and payable.

If we raise additional funds through further issuances of equity or other securities convertible into equity, including convertible debt securities, our existing stockholders could suffer dilution in their percentage ownership of our company, and any such securities we issue could have rights, preferences, and privileges senior to those of holders of our Class A common stock.

Changes by any rating agency to our outlook or credit rating could negatively affect the value of both our debt and equity securities and increase our borrowing costs. If our credit ratings are downgraded or other negative action is taken, our ability to obtain additional financing in the future on favorable terms or at all could be adversely affected.

Servicing our Notes may require a significant amount of cash, and we may not have sufficient cash or the ability to raise the funds necessary to settle conversions of the Convertible Notes in cash, repay the Notes at maturity, or repurchase the Notes as required following a fundamental change.

As of December 31, 2021, we had \$0.5 million outstanding aggregate principal amount of 2022 Convertible Notes, \$460.6 million aggregate principal amount of 2023 Convertible Notes, \$1.0 billion outstanding aggregate principal amount of 2025 Convertible Notes, \$575.0 million outstanding aggregate principal amount of 2026 Convertible Notes, and \$575.0 million outstanding aggregate principal amount of 2027 Convertible Notes, \$1.0 billion outstanding aggregate principal amount of 2026 Senior Notes, and \$1.0 billion outstanding aggregate principal amount of 2031 Senior Notes.

On December 1, 2021, the 2022 Convertible Notes became freely convertible at the option of each holder until the maturity date of the 2022 Convertible Notes. Prior to February 15, 2023, in the case of the 2023 Convertible Notes, December 1, 2024, in the case of the 2025 Convertible Notes, February 1, 2026, in the case of the 2026 Convertible Notes, and August 1, 2027, in the case of the 2027 Convertible Notes, the applicable Convertible Notes are convertible at the option of the holders only under certain conditions or upon occurrence of certain events. Because the last reported sale price of our Class A common stock exceeded 130% of the conversion price for the 2023 Convertible Notes, and the 2025 Convertible Notes for the relevant period in the calendar quarter ending December 31, 2021, the 2023 Convertible Notes and 2025 Convertible Notes are convertible at the option of the holders thereof during the calendar quarter ending March 31, 2022. Whether the Convertible Notes of any series will be convertible following such calendar quarter will depend on the satisfaction of this condition or another conversion condition in the future. If holders of the Convertible Notes of a series elect to convert such Convertible Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion, we will be required to make cash payments in respect of the Convertible Notes being converted. Effective October 2018, we revised our prior stated policy of settling conversions of the 2022 Convertible Notes and 2023 Convertible Notes through combination settlement with a specified dollar amount of \$1,000 per \$1,000 principal amount of Convertible Notes. We currently expect to settle future conversions of the 2022 Convertible Notes and 2023 Convertible Notes solely in shares of our Class A common stock, which has the effect of including the shares of Class A common stock issuable upon conversion of the Convertible Notes of such series in our diluted earnings per share to the extent such shares are not anti-dilutive. We will reevaluate this policy from time to time as conversion notices are received from holders of the Convertible Notes.

In addition, holders of each series of Notes also have the right to require us to repurchase all or a portion of their Notes of such series upon the occurrence of a fundamental change (as defined in the applicable indenture governing the Notes) at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, or at a repurchase price equal to 101% of the principal amount of the Senior Notes to be repurchased, plus accrued and unpaid interest. If the Notes of any series have not previously been converted or repurchased, we will be required to repay such Notes in cash at maturity.

Our ability to make required cash payments in connection with conversions of the Convertible Notes, repurchase the Notes in the event of a fundamental change, or to repay or refinance the Notes at maturity will depend on market conditions and our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. We also may not use the cash proceeds we raised through the issuance of the Notes in an optimally productive and profitable manner. Since inception, our business has generated net losses in most quarters, and we may continue to incur significant losses. As a result, we may not have enough available cash or be able to obtain financing at the time we are required to repurchase or repay the Notes or pay cash with respect to the Convertible Notes being converted.

In addition, our ability to repurchase or to pay cash upon conversion or at maturity of the Notes may be limited by law or regulatory authority. Our failure to repurchase Notes following a fundamental change or to pay cash upon conversion of our Convertible Notes (unless we elect to deliver solely shares of our Class A common stock to settle such conversion) or at maturity of the Notes as required by the applicable indenture would constitute a default under such indenture. A default under the applicable indenture or the fundamental change itself could also lead to a default under our credit facility, our other outstanding indebtedness, or agreements governing our future indebtedness and could have a material adverse effect on our business, results of operations, and financial condition. If the payment of our other outstanding indebtedness or future indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and repurchase the Notes or to pay cash upon conversion of the Convertible Notes or at maturity of the Notes.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

In connection with the issuance of each series of our Convertible Notes, we entered into convertible note hedge transactions with certain financial institutions, which we refer to as the "option counterparties." The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that one or more of such option counterparties may default under the convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If any option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the convertible note hedge transaction. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in our Class A common stock market price and in the volatility of the market price of our Class A common stock. In addition, upon a default by any option counterparty, we may suffer adverse tax consequences and dilution with respect to our Class A common stock. We can provide no assurance as to the financial stability or viability of any option counterparty.

Our investments in bitcoin may be subject to volatile market prices, impairment, and other risks of loss.

We purchased \$50 million in bitcoin in October 2020 and another \$170 million in bitcoin in February 2021, and we may make additional bitcoin purchases in the future. The price of bitcoin has been highly volatile in the past and may continue to be volatile in the future, including as a result of various associated risks and uncertainties. For example, the prevalence of bitcoin is a relatively recent trend, and the long-term adoption of bitcoin by investors, consumers, and businesses remains uncertain. Bitcoin's lack of a physical form, its reliance on technology for its creation, existence, and transactional validation, and its decentralization may subject its integrity to the threat of malicious attacks and technological obsolescence. If the market value of the bitcoin we hold decreases relative to the purchase prices, our financial condition may be adversely impacted.

Moreover, bitcoin currently is considered an indefinite-lived intangible asset under applicable accounting rules, meaning that any decrease in its market value below our book value for such asset at any time subsequent to its acquisition will require us to recognize impairment charges, whereas we may make no upward revisions for any market price increases until a sale, which may adversely affect our operating results in any period in which such impairment occurs. We have recorded several such impairment charges. If there are future changes in applicable accounting rules that require us to change

the manner in which we account for our bitcoin, there could be a material and adverse effect on our financial results and the market price of our Class A common stock.

We are exposed to fluctuations in foreign currency exchange rates.

Following our acquisition of Afterpay, our international operations account for a more significant portion of our overall operations and our exposure to fluctuations in foreign currency exchange rates has increased significantly, which could have a negative impact on our reported results of operations. From time to time, we may enter into forward contracts, options, and/or foreign exchange swaps related to transaction exposures that arise in the normal course of our business. These and other such hedging activities may not eliminate our exposure to foreign exchange fluctuations. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

We may have exposure to greater-than-anticipated tax liabilities, which may materially and adversely affect our business.

We are subject to income taxes and non-income taxes in the United States and other countries in which we transact or conduct business, and such laws and rates vary by jurisdiction. We are subject to review and audit by U.S. federal, state, local, and foreign tax authorities. Such tax authorities may disagree with tax positions we take, and if any such tax authority were to successfully challenge any such position, our financial results and operations could be materially and adversely affected. In addition, we currently are, and expect to continue to be, subject to numerous federal, state, and foreign tax audits relating to transfer pricing, income, sales & use, value-added (“VAT”), and other tax liabilities. While we have established reserves based on assumptions and estimates that we believe are reasonably sufficient to cover such eventualities, any adverse outcome of such a review or audit could have an adverse impact on our financial position and results of operations if the reserves prove to be insufficient.

Our tax liability could be adversely affected by changes in tax laws, rates, regulations, and administrative practices. For example, various levels of government and international organizations, such as in the United States, the Organisation for Economic Co-operation and Development (“OECD”), and the European Union (“EU”), have increasingly focused on tax reform and any result from this development may create changes to long-standing tax principles, which could adversely affect our effective tax rate. On October 8, 2021, the OECD announced an international agreement with more than 130 countries to implement a new global minimum effective corporate tax rate of 15% for large multinational companies starting in 2023. Additionally, under the agreement, new rules have been introduced that will result in the reallocation of certain profits from large multinational companies to market jurisdictions where customers and users are located. Although the implementation details are being developed and the enactment of these changes has not yet taken effect, we will be monitoring the developments and tax implications of these changes, which may have adverse tax consequences for us. On November 18, 2021, the US House of Representatives passed the Build Back Better Act (“BBB Act”), which introduced significant changes to federal corporate income tax rules. These proposed tax rules have not passed the U. S. Senate. If enacted, such tax law changes may have adverse consequences for us.

Our income tax obligations are based on our corporate operating structure, including the manner in which we develop, value, and use our intellectual property and the scope of our international operations. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements. Additionally, tax authorities at the international, federal, state, and local levels are currently reviewing the appropriate tax treatment of companies engaged in internet commerce and financial technology and attempting to broaden the classification and definitions of activities subject to taxation. For example, various states may attempt to broaden the definition of internet hosting, data processing, telecommunications, and other services to capture additional types of activities. These developing changes could affect our financial position and results of operations. In particular, it is possible that tax authorities at the international, federal, state, and local levels may attempt to regulate our transactions or levy new or revised sales & use taxes, VAT, digital services taxes, digital advertising taxes, income taxes, or other taxes relating to our activities. New or revised taxes, in particular, sales & use taxes, VAT, and similar taxes, including digital advertising taxes and digital service taxes, would likely increase the cost of doing business. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Proposed or enacted laws regarding tax compliance obligations could require us to make changes to our infrastructure or increase our compliance obligation. Any of these events could have an adverse effect on our business and results of operations. Moreover, an increasing number of states, and certain foreign jurisdictions, have considered or adopted laws or administrative practices that attempt to impose obligations for online marketplaces, payment service providers, and other intermediaries. These obligations may deem parties, such as us, to be the legal agent of merchants and therefore may require us to collect and remit taxes on the merchants' behalf and take on additional reporting and record-keeping obligations. Any failure by us to prepare for and to comply with these and similar

reporting and record-keeping obligations could result in substantial monetary penalties and other sanctions, adversely impact our ability to do business in certain jurisdictions, and harm our business.

The determination of our worldwide provision for income and other tax liabilities is highly complex and requires significant judgment by management, and there are many transactions during the ordinary course of business where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

We have in the past recorded, and may in the future record, significant valuation allowances on our deferred tax assets, which may have a material impact on our results of operations and cause fluctuations in such results.

As of December 31, 2021, we had a valuation allowance for deferred tax assets in the United States and in certain other countries. Our net deferred tax assets relate predominantly to the United States federal and state tax jurisdictions. The need for a valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable; such assessment is required on a jurisdiction-by-jurisdiction basis. In making such assessment, significant weight is given to evidence that can be objectively verified.

We continue to monitor the likelihood that we will be able to recover our deferred tax assets in the future. Future adjustments in our valuation allowance may be required. The recording of any future increases in our valuation allowance could have a material impact on our reported results, and both the recording and release of the valuation allowance could cause fluctuations in our quarterly and annual results of operations.

Legal, Regulatory, and Compliance Risks

Our business is subject to extensive regulation and oversight in a variety of areas, all of which are subject to change and uncertain interpretation.

We are subject to a wide variety of local, state, federal, and international laws, regulations, licensing schemes, and industry standards in the United States and in other countries in which we operate. These laws, regulations, and standards govern numerous areas that are important to our business, and include, or may in the future include, those relating to banking, lending, deposit-taking, cross-border and domestic money transmission, foreign exchange, payments services (such as payment processing and settlement services), cryptocurrency, trading in shares and fractional shares, fraud detection, consumer protection, anti-money laundering, escheatment, sanctions regimes and export controls, data privacy, data protection and data security, and compliance with the Payment Card Industry Data Security Standard, a set of requirements designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect cardholder data.

These laws, rules, regulations, and standards are enforced by multiple authorities and governing bodies in the United States, including federal agencies, such as the FDIC, the SEC, the Consumer Financial Protection Bureau, and Office of Foreign Assets Control, self-regulatory organizations, and numerous state and local agencies, such as the Utah Department of Financial Institutions. Outside of the United States, we are subject to additional regulators. As we expand into new jurisdictions, or expand our product offerings in existing jurisdictions, the number of foreign regulations and regulators governing our business will expand as well. For example, in connection with our acquisition of Afterpay we established a secondary listing on the Australian Securities Exchange (“ASX”), subjecting us to additional listing requirements. As our business and products continue to develop and expand, we may become subject to additional rules, regulations, and industry standards. We may not always be able to accurately predict the scope or applicability of certain regulations to our business, particularly as we expand into new areas of operations, which could have a significant negative effect on our existing business and our ability to pursue future plans.

Laws, regulations, and standards are subject to changes and evolving interpretations and application, including by means of legislative changes and/or executive orders, and it can be difficult to predict how they may be applied to our business and the way we conduct our operations, particularly as we introduce new products and services and expand into new jurisdictions.

For example, Cash App includes a feature that permits our customers to buy and sell bitcoin. Bitcoin is not widely accepted as legal tender or backed by governments around the world, and it has experienced price volatility, technological

glitches, security compromises, and various law enforcement and regulatory interventions. Certain existing laws also prohibit transactions with certain persons and entities, and we have a risk based program in place to prevent such transactions. Despite this, due to the nature of bitcoin technology and blockchain, it may be technically infeasible to prevent all such transactions, and there can be no guarantee that our measures will be viewed as sufficient. The regulation of cryptocurrency and crypto platforms is still an evolving area, and it is possible that we could become subject to additional regulations. If we fail to comply with regulations or prohibitions applicable to us, we could face regulatory or other enforcement actions and potential fines and other consequences. Further, we might not be able to continue operating the feature, at least in current form, which could cause the price of our Class A common stock to decrease.

We are subject to audits, inspections, inquiries, and investigations from regulators on an ongoing basis. Although we have a compliance program focused on the laws, rules, and regulations applicable to our business, we have been and may still be subject to inquiries, investigations, fines, or other penalties in one or more jurisdictions levied by regulators, including federal agencies, state Attorneys General and private plaintiffs who may be acting as private attorneys general pursuant to various applicable laws, as well as those levied by foreign regulators. In addition to fines, penalties for failing to comply with applicable rules and regulations could include significant criminal and civil lawsuits, forfeiture of significant assets, increased licensure requirements, revocation of licenses or other enforcement actions. We have been and may be required to make changes to our business practices or compliance programs as a result of regulatory scrutiny. In addition, any perceived or actual breach of compliance by us with respect to applicable laws, rules, and regulations could have a significant impact on our reputation as a trusted brand and could cause us to lose existing customers, prevent us from obtaining new customers, require us to expend significant funds to remedy problems caused by breaches and to avert further breaches, and expose us to legal risk and potential liability.

Further, from time to time, we may leverage third parties to help conduct our businesses in the U.S. or abroad. We and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for any corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with such laws, we cannot assure you that our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Our business is subject to complex and evolving regulations and oversight related to privacy, data protection, and data security.

We are subject to laws and regulations relating to the collection, use, retention, privacy, protection, security, and transfer of information, including personal information of our employees and customers. As with the other laws and regulations noted above, these laws and regulations may change or be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible they will be interpreted and applied in ways that will materially and adversely affect our business. For example, the European Union's General Data Protection Regulation ("GDPR") and similar legislation in the United Kingdom ("U.K.") impose stringent data privacy and data protection requirements and provide for greater penalties for noncompliance of up to the greater of 4% of worldwide annual revenue or €20 million or £17.5 million, as applicable. The GDPR restricts international data transfers from the EU to other jurisdictions unless the rights of the individual data subjects in respect of their personal data is protected by an approved transfer mechanism, or one of a limited number of exceptions applies. The U.K.'s data protection regime contains similar requirements. When transferring personal data from the EU to other jurisdictions, we utilize standard contractual clauses published by the EU Commission (the "SCCs"). On July 16, 2020, the Court of Justice of the European Union ("CJEU") issued a decision that may impose additional obligations on companies when relying on those SCCs. This CJEU decision may result in different EEA data protection regulators applying differing standards for the transfer of personal data from the EEA to the United States, and even require ad hoc verification of measures taken with respect to data flows. As a result of this CJEU decision or other developments with respect to the legal and regulatory regime affecting cross-border data transfers, we may be required to take additional steps to legitimize impacted personal data transfers. This could result in increased costs of compliance and limitations on our customers and us. More generally, we may find it necessary or desirable to modify our data handling practices and to engage in additional contractual obligations, and legal or regulatory challenges or other developments relating to cross-border data transfer may serve as a basis for our personal data handling practices, or those of our customers and vendors, to be challenged and may otherwise adversely impact our business, financial condition and operating results. In the U.K., although the Data Protection Act and legislation referred to as the UK GDPR substantially enacts the EU GDPR into U.K. law, the U.K.'s exit from the EU has created uncertainty with regard to the regulation of data protection in the U.K. and data transfers between the U.K., the EU, and other jurisdictions and could require us to make additional changes to the

way we conduct our business and transmit data between the U.S., the U.K., the EU, and the rest of the world. Further, in addition to the GDPR, the European Commission has a draft regulation in the approval process that focuses on a person's right to conduct a private life. The proposed legislation, known as the Regulation of Privacy and Electronic Communications ("ePrivacy Regulation"), would replace the current ePrivacy Directive. If adopted, the earliest date for entry into force is in 2023, with broad potential impacts on the use of internet-based services and tracking technologies, such as cookies. We expect to incur additional costs to comply with the requirements of the ePrivacy Regulation as it is finalized for implementation. In addition, some countries are considering or have enacted legislation addressing matters such as requirements for local storage and processing of data that could impact our compliance obligations, expose us to liability, and increase the cost and complexity of delivering our services.

Likewise, the California Consumer Privacy Act of 2018 ("CCPA") became effective on January 1, 2020 and will be modified by the California Privacy Rights Act ("CPRA"), which was passed in November 2020 and becomes fully effective on January 1, 2023. The CCPA and CPRA impose stringent data privacy and data protection requirements relating to personal information of California residents, and provide for penalties for noncompliance of up to \$7,500 per violation. Aspects of the interpretation and enforcement of the CCPA and CPRA remain unclear. More generally, privacy, data protection and data security continues to be rapidly evolving areas, and further legislative activity has arisen and will likely continue to arise in the U.S., the EU, and other jurisdictions. Various states in the U.S. have proposed or enacted laws that contain obligations similar to the CCPA. For example, on March 2, 2021, Virginia enacted the Virginia Consumer Data Protection Act, and on July 7, 2021, Colorado enacted the Colorado Privacy Act. Both of these are comprehensive privacy statutes that will become effective in 2023 and share similarities with the CCPA, the CPRA, and legislation proposed in other states. The U.S. federal government also is contemplating federal privacy legislation. The effects of recently proposed or enacted legislation potentially are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

We have incurred, and may continue to incur, significant expenses to comply with evolving privacy and security standards and protocols imposed by law, regulation, industry standards, shifting consumer expectations, or contractual obligations. Laws and regulations directed at privacy, data protection, and data security, and those that have been applied in those areas, can be challenging to comply with and may be subject to evolving interpretations or applications. In particular, with laws and regulations such as the GDPR in the EU and the CCPA, CPRA, and other laws in the U.S. imposing new and relatively burdensome obligations, and with the interpretation and application of these and other laws and regulations subject to evolving and uncertain interpretation and application, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and we may incur significant costs and expenses in an effort to do so. Any failure, real or perceived, by us to comply with our privacy, data protection, or information security policies, changing consumer expectations, or with any evolving legal or regulatory requirements, industry standards, or contractual obligations could result in claims, demands, and litigation by private parties, investigations and other proceedings by regulatory authorities, and fines, penalties and other liabilities, may harm our reputation and competitive position, and may cause our customers to reduce their use of our products and services, disrupt our supply chain or third-party vendor or developer partnerships, and materially and adversely affect our business.

We are subject to risks related to litigation, including intellectual property claims, government investigations or inquiries, and regulatory matters or disputes.

We may be, and have been, subject to claims, lawsuits (including class actions and individual lawsuits), government or regulatory investigations, subpoenas, inquiries or audits, and other proceedings. The number and significance of our legal disputes and inquiries have increased as we have grown larger, as our business has expanded in scope and geographic reach, and as our products and services have increased in complexity, and we expect that we will continue to face additional legal disputes as we continue to grow and expand. We also receive significant media attention, which could result in increased litigation or other legal or regulatory reviews and proceedings. Moreover, legal disputes or government or regulatory inquiries or findings may cause follow-on litigation or regulatory scrutiny by additional parties.

Some of the laws and regulations affecting the internet, mobile commerce, payment processing, BNPL lending, bitcoin and equity investing, streaming service, business financing, and employment were not written with businesses like ours in mind, and many of the laws and regulations, including those affecting us have been enacted relatively recently. As a result, there is substantial uncertainty regarding the scope and application of many of the laws and regulations to which we are or may be subject, which increases the risk that we will be subject to claims alleging violations of those laws and regulations. The scope, outcome, and impact of claims, lawsuits, government or regulatory investigations, subpoenas, inquiries or audits, and other proceedings to which we are subject cannot be predicted with certainty. Regardless of the

outcome, such investigations and legal proceedings can have a material and adverse impact on us due to their costs, diversion of our resources, and other factors. Plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of litigation, including preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle legal disputes on terms that are unfavorable to us. We may also be accused of having, or be found to have, infringed or violated third-party copyrights, patents, trademarks, and other intellectual property rights. For example, H&R Block recently filed a lawsuit against us for trademark infringement following our name change to Block. If any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that we may not choose to appeal or that may not be reversed upon appeal. We may have to seek a license to continue practices found to be in violation of a third party's rights, or we may have to change or cease certain practices. If we are required, or choose to enter into, royalty or licensing arrangements, such arrangements may not be available on reasonable terms or at all and may significantly increase our operating costs and expenses. As a result, we may also be required to develop or procure alternative non-infringing technology or discontinue use of technology, and doing so could require significant effort and expense or may not be feasible. In addition, the terms of any settlement or judgment in connection with any legal claims, lawsuits, or proceedings may require us to cease some or all of our operations or to pay substantial amounts to the other party and could materially and adversely affect our business.

As a licensed money transmitter, we are subject to important obligations and restrictions.

We have obtained licenses to operate as a money transmitter (or as other financial services institutions) in the United States and in the states where this is required, as well as in some non-U.S. jurisdictions, including the European Union, the United Kingdom, and Australia. As a licensed money transmitter, we are subject to obligations and restrictions with respect to the investment of customer funds, reporting requirements, bonding requirements, and inspection by state regulatory agencies concerning those aspects of our business considered money transmission. Evaluation of our compliance efforts, as well as the questions of whether and to what extent our products and services are considered money transmission, are matters of regulatory interpretation and could change over time. In the past, we have been subject to fines and other penalties by regulatory authorities due to their interpretations and applications to our business of their respective state money transmission laws. In the future, as a result of the regulations applicable to our business, we could be subject to investigations and resulting liability, including governmental fines, restrictions on our business, or other sanctions, and we could be forced to cease conducting business in certain jurisdictions, be forced to otherwise change our business practices in certain jurisdictions, or be required to obtain additional licenses or regulatory approvals. There can be no assurance that we will be able to obtain any such licenses, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material and adverse effect on our business.

We are subject to a number of regulatory risks in the BNPL space.

Afterpay's business principally consists of providing financial services, most prominently in the BNPL space, to merchants and consumers, and Afterpay is therefore subject to significant regulation in the jurisdictions in which it operates, including Australia, New Zealand, the United States, Canada, the United Kingdom and certain other European countries. Furthermore, with the geographic expansion of our BNPL business into new markets, we may become subject to additional and changing legal, regulatory, tax, licensing, and compliance requirements and industry standards with respect to BNPL.

Regulatory scrutiny or changes in the BNPL space may impose significant compliance costs and make it uneconomical for us to continue to operate in Afterpay's current markets or to expand into new markets. This may negatively impact our revenue and profitability. Our inability, or perceived inability, to comply with existing or new compliance obligations, including with respect to BNPL products and/or services, could lead to regulatory investigations, which could result in administrative or enforcement action, such as fines, penalties, and/or enforceable undertakings and adversely affect us.

Our subsidiary Cash App Investing is a broker-dealer registered with the SEC and a member of FINRA, and therefore is subject to extensive regulation and scrutiny.

Our subsidiary Cash App Investing facilitates transactions in shares and fractionalized shares of publicly-traded stock and exchange-traded funds by users of our Cash App through a third-party clearing and carrying broker, DriveWealth LLC ("DriveWealth"). Cash App Investing is registered with the SEC as a broker-dealer under the Exchange Act and is a member of FINRA. Therefore Cash App Investing is subject to regulation, examination, and supervision by the SEC, FINRA, and state securities regulators. The regulations applicable to broker-dealers cover all aspects of the securities business, including sales practices, use and safekeeping of clients' funds and securities, capital adequacy, record-keeping, and the conduct and qualification of officers, employees, and independent contractors. As part of the regulatory process, broker-

dealers are subject to periodic examinations by their regulators, the purpose of which is to determine compliance with securities laws and regulations, and from time to time may be subject to additional routine and for-cause examinations. It is not uncommon for regulators to assert, upon completion of an examination, that the broker-dealer being examined has violated certain of these rules and regulations. Depending on the nature and extent of the violations, the broker-dealer may be required to pay a fine and/or be subject to other forms of disciplinary and corrective action. Additionally, the adverse publicity arising from the imposition of sanctions could harm our reputation and cause us to lose existing customers or fail to gain new customers.

The SEC, FINRA, and state regulators have the authority to bring administrative or judicial proceedings against broker-dealers, whether arising out of examinations or otherwise, for violations of state and federal securities laws. Administrative sanctions can include cease-and-desist orders, censure, fines, and disgorgement and may even result in the suspension or expulsion of the firm from the securities industry. Similar sanctions may be imposed upon officers, directors, representatives, and employees.

Cash App Investing has adopted, and regularly reviews and updates, various policies, controls, and procedures designed for compliance with Cash App Investing's regulatory obligations. However, appropriately addressing Cash App Investing's regulatory obligations is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to appropriately address them. Failure to adhere to these policies and procedures may also result in regulatory sanctions or litigation against us. Cash App Investing also relies on various third parties, including DriveWealth, to provide services, including managing and executing customer orders, and failure of these third parties to adequately perform these services may negatively impact customer experience, product performance, and our reputation and may also result in regulatory sanctions or litigation against us or Cash App Investing.

In the event of any regulatory action or scrutiny, we or Cash App Investing could also be required to make changes to our business practices or compliance programs. In addition, any perceived or actual breach of compliance by Cash App Investing with respect to applicable laws, rules, and regulations could have a significant impact on our reputation, could cause us to lose existing customers, prevent us from obtaining new customers, require us to expend significant funds to remedy problems caused by breaches and to avert further breaches, and expose us to legal risk, including litigation against us, and potential liability.

Cash App Investing is subject to net capital and other regulatory capital requirements; failure to comply with these rules could harm our business.

Our subsidiary Cash App Investing is subject to the net capital requirements of the SEC and FINRA. These requirements typically specify the minimum level of net capital a broker-dealer must maintain and also mandate that a significant part of its assets be kept in relatively liquid form. Failure to maintain the required net capital may subject a firm to limitation of its activities, including suspension or revocation of its registration by the SEC and suspension or expulsion by FINRA, and ultimately may require its liquidation. Currently, Cash App Investing has relatively low net capital requirements, because it does not hold customer funds or securities, but instead facilitates the transmission and delivery of those funds on behalf of customers to DriveWealth or back to the applicable customer. However, a change in the net capital rules, a change in how Cash App Investing handles or holds customer assets, or the imposition of new rules affecting the scope, coverage, calculation, or amount of net capital requirements could have adverse effects. Finally, because Cash App Investing is subject to such net capital requirements, we may be required to inject additional capital into Cash App Investing from time to time and as such, we may have liability and/or our larger business may be affected by any of these outcomes.

It is possible that FINRA will require changes to our business practices based on our ownership of Cash App Investing, which could impose additional costs or disrupt our business.

In certain cases, FINRA has required unregistered affiliates of broker-dealers to comply with additional regulatory requirements, including, among others, handling all securities or other financial transactions through the affiliated broker-dealer or conforming all marketing and advertising materials to the requirements applicable to broker-dealers. We do not currently believe that these types of requirements apply to any aspect of our business other than the securities transactions facilitated through the Cash App. It is possible that, in the future, FINRA could require us to comply with additional regulations in the conduct of other activities (i.e., beyond the securities transactions made through the Cash App). If that were to occur, it could require significant changes to our business practices. These and other changes would impose significantly greater costs on us and disrupt existing practices in ways that could negatively affect our overarching business and profitability.

Our subsidiary Square Financial Services is a Utah state-chartered industrial bank, which requires that we serve as a source of financial strength to it and subjects us to potential regulatory sanctions.

On March 1, 2021, Square Financial Services received its deposit insurance from the FDIC and charter approval from the Utah Department of Financial Institutions and became operational. The Federal Deposit Insurance Act requires that we serve as a source of financial strength to Square Financial Services. This means that we are required by law to provide financial assistance to Square Financial Services in the event that it experiences financial distress. In this regard, the FDIC's approval requires that Square Financial Services have initial paid in capital of not less than approximately \$56 million, and at all times meet or exceed the regulatory capital levels required for Square Financial Services to be considered "well capitalized" under the FDIC's prompt corrective action rules. The regulatory total capital and leverage ratios of Square Financial Services during the first three years of operation may not be less than the levels provided in Square Financial Services' business plan approved by the FDIC. Thereafter, the regulatory capital ratios must be annually approved by the FDIC, and in no event may Square Financial Services' leverage ratio be less than twenty percent, as calculated in accordance with FDIC regulations. If Square Financial Services' total capital or leverage ratios fall below the levels required by the FDIC, we will need to provide sufficient capital to Square Financial Services so as to enable it to maintain its required regulatory capital ratios. If the FDIC were to increase Square Financial Services' capital requirements, it could have adverse effects on us and Square Financial Services.

The FDIC's approval is also contingent on us maintaining a Capital and Liquidity Maintenance Agreement as well as a Parent Company Agreement. The Capital and Liquidity Maintenance Agreement requires, among other things, that we maintain the leverage ratio of Square Financial Services at a minimum of 20 percent following the first three years of Square Financial Services' operations; maintain a third-party line of credit for the benefit of Square Financial Services acceptable to the FDIC; purchase any loan from Square Financial Services at the greater of the cost basis or fair market value, if deemed necessary by the FDIC or Square Financial Services; and establish and maintain a reserve deposit of \$50 million at an unaffiliated third-party bank that Square Financial Services could draw upon in the event that we fail to provide sufficient funds to maintain Square Financial Services' capital ratios at the required levels. The Parent Company Agreement requires, among other things, that we consent to the FDIC's examination of us and our subsidiaries; limit our representation on Square Financial Services' board of directors to no more than 25 percent; submit a contingency plan to the FDIC that describes likely scenarios of significant financial or operational stress and, if we were unable to serve as a source of financial strength, options for the orderly wind down or sale of Square Financial Services; and engage a third party to review and provide periodic reports concerning the effectiveness of our complaint response system. Jack Dorsey, who is considered our controlling shareholder in this context, also agreed to cause us to perform under these agreements. Should we fail to comply with these obligations, we could be subject to regulatory sanctions. In addition, any failure by Square Financial Services to comply with applicable laws, rules, and regulations could also subject us and Square Financial Services to regulatory sanctions. These sanctions could adversely impact our reputation and our business, require us to expend significant funds for remediation, and expose us to litigation and other potential liability.

Square Financial Services is subject to extensive supervision and regulation, including the Dodd-Frank Act and its related regulations, which are subject to change and could involve material costs or affect operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, effected significant changes to U.S. financial regulations and required rulemaking by U.S. financial regulators including adding a new Section 13 to the Bank Holding Company Act known as the Volcker Rule. The Volcker Rule generally restricts certain banking entities (such as Square Financial Services) from engaging in proprietary trading activities and from having an ownership interest in or sponsoring any private equity funds or hedge funds (or certain other private issuing entities). The current activities of Square Financial Services have not been and are not expected to be materially affected by the Volcker Rule. Nevertheless, we cannot predict whether, or in what form, any other proposed regulations or statutes or changes to implementing regulations will be adopted or the extent to which the business operations of Square Financial Services may be affected by any new regulation or statute. Such changes could subject our business to additional compliance burden, costs, and possibly limit the types of financial services and products we may offer.

Square Financial Services is also subject to the requirements in Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve Board's implementing Regulation W, which regulate loans, extensions of credit, purchases of assets, and certain other transactions between an insured depository institution (such as Square Financial Services) and its affiliates. The statute and regulation require Square Financial Services to impose certain quantitative limits, collateral requirements and

other restrictions on “covered transactions” between Square Financial Services and its affiliates and requires all transactions be on “market terms” and conditions consistent with safe and sound banking practices.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services, and brand.

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, a combination of confidentiality, invention assignment, and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, trade dress, domain name, copyright, trade secret, and patent rights, to protect our brand and other intellectual property rights. However, various events outside of our control may pose a threat to our intellectual property rights, as well as to our products and services. Effective protection of intellectual property rights is expensive and difficult to maintain, both in terms of application and maintenance costs, as well as the costs of defending and enforcing those rights. The efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Our intellectual property rights may be infringed, misappropriated, or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. Similarly, our reliance on unpatented proprietary information and technology, such as trade secrets and confidential information, depends in part on agreements we have in place with employees and third parties that place restrictions on the use and disclosure of this intellectual property. These agreements may be insufficient or may be breached, or we may not enter into sufficient agreements with such individuals in the first instance, in either case potentially resulting in the unauthorized use or disclosure of our trade secrets and other intellectual property, including to our competitors, which could cause us to lose any competitive advantage resulting from this intellectual property. Individuals not subject to invention assignment agreements may make adverse ownership claims to our current and future intellectual property. There can be no assurance that our intellectual property rights will be sufficient to protect against others offering products or services that are substantially similar to ours and that compete with our business.

We routinely apply for patents in the U.S. and internationally to protect innovative ideas in our technology, but we may not always be successful in obtaining patent grants from these applications. We also pursue registration of copyrights, trademarks, and domain names in the United States and in certain jurisdictions outside of the United States, but doing so may not always be successful or cost-effective. In general, we may be unable or, in some instances, choose not to obtain legal protection for our intellectual property, and our existing and future intellectual property rights may not provide us with competitive advantages or distinguish our products and services from those of our competitors. The laws of some foreign countries do not protect our intellectual property rights to the same extent as the laws of the United States, and effective intellectual property protection and mechanisms may not be available in those jurisdictions. We may need to expend additional resources to defend our intellectual property in these countries, and the inability to do so could impair our business or adversely affect our international expansion. Our intellectual property rights may be contested, circumvented, or found unenforceable or invalid, and we may not be able to prevent third parties from infringing, diluting, or otherwise violating them. Additionally, our intellectual property rights and other confidential business information are subject to risks of compromise or unauthorized disclosure if our security measures or those of our third-party service providers are unable to prevent cyber-attacks. Significant impairments of our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, could have a material and adverse effect on our business.

Assertions by third parties of infringement or other violation by TIDAL of their intellectual property rights could harm our business.

Third parties have asserted, and may in the future assert, that we have infringed, misappropriated, or otherwise violated their copyrights, patents, and other intellectual property rights in connection with the TIDAL streaming service. Our ability to provide our streaming service is dependent upon our ability to license intellectual property rights to audio content, including sound recordings and videos, any musical compositions embodied therein, and any other media assets that artists and/or labels can add or provide with their tracks. Various laws and regulations govern the copyright and other intellectual property rights associated with audio and visual content, including sound recordings and musical compositions. Existing laws and regulations are evolving and subject to different interpretations, and various legislative or regulatory bodies may expand current or enact new laws or regulations. Although we expend significant resources to seek to comply with the statutory, regulatory, and judicial frameworks by, for example, entering into license agreements and complying with the terms and conditions of statutory licenses, we cannot assure you that we are not infringing or violating any third-party intellectual property rights, or that we will not do so in the future. It is difficult to predict whether assertions of third-party intellectual property rights or any infringement or misappropriation claims arising from such assertions will substantially harm our business, operating results, and financial condition. If we are forced to defend against any infringement or misappropriation

claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Furthermore, an adverse outcome of a dispute may require us to pay significant damages, which may be even greater if we are found to have willfully infringed upon a party's intellectual property; cease exploiting copyrighted content that we have previously had the ability to exploit; cease using solutions that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our solutions; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials; indemnify our partners and other third parties; and/or take other actions that may have material and adverse effects on our business, operating results, and financial condition.

Risks Related to Ownership of Our Common Stock

The dual class structure of our common stock has the effect of concentrating voting control within our stockholders who held our stock prior to our initial public offering, including many of our employees and directors and their affiliates; this will limit or preclude your ability to influence corporate matters.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including certain of our executive officers, employees, and directors and their affiliates, held approximately 60.48% of the voting power of our combined outstanding capital stock as of December 31, 2021. Our executive officers and directors and their affiliates held approximately 62.90% of the voting power of our combined outstanding capital stock as of December 31, 2021. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively hold more than a majority of the combined voting power of our common stock, and therefore such holders are able to control all matters submitted to our stockholders for approval. When the shares of our Class B common stock represent less than 5% of the combined voting power of our Class A common stock and Class B common stock, the then-outstanding shares of Class B common stock will automatically convert into shares of Class A common stock.

Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions. Such conversions of Class B common stock to Class A common stock upon transfer will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, our Class B stockholders retain shares of Class B common stock constituting as little as 10% of all outstanding shares of our Class A and Class B common stock combined, they will continue to control a majority of the combined voting power of our outstanding capital stock.

The market price of our Class A common stock has been and will likely continue to be volatile, and you could lose all or part of your investment.

The market price of our Class A common stock has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this Annual Report on Form 10-K, factors that could cause fluctuations in the market price of our Class A common stock include the following:

- general economic, regulatory, and market conditions, in particular conditions that adversely affect our sellers' business and the amount of transactions they are processing;
- public health crises and related measures to protect the public health;
- sales of shares of our common stock by us or our stockholders;
- issuance of shares of our Class A common stock, whether in connection with an acquisition or upon conversion of some or all of our outstanding Convertible Notes;
- short selling of our Class A common stock or related derivative securities;
- from time to time we make investments in equity that is, or may become, publicly held, and we may experience volatility due to changes in the market prices of such equity investments;

- fluctuations in the price of bitcoin, and potentially any impairment charges in connection with our investments in bitcoin;
- reports by securities or industry analysts that are interpreted either negatively or positively by investors, failure of securities analysts to maintain coverage and/or to provide accurate consensus results of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the financial or other projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- rumors and market speculation involving us or other companies in our industry;
- actual or perceived data security incidents that we or our service providers may suffer; and
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Our Class A common stock is listed to trade on more than one stock exchange, and this may result in price variations.

Our Class A common stock is listed for trade on the NYSE and as CHES Depositary Interests, or CDIs, on the Australian Securities Exchange ("ASX"). Dual-listing may result in price variations between the exchanges due to a number of factors. Our Class A common stock is traded in U.S. dollars on the NYSE and our CDIs are traded in Australian Dollars on the ASX. The two exchanges also have differing vacation schedules. Differences in the trading schedules, as well as volatility in the exchange rate of the two currencies, among other factors, may result in different trading prices for our Class A common stock on the two exchanges. Other external influences may also have different effects on the trading price of our Class A common stock on the two exchanges.

The convertible note hedge and warrant transactions may affect the value of our Class A common stock.

In connection with the issuance of each series of our Convertible Notes, we entered into convertible note hedge transactions with the option counterparties. We also entered into warrant transactions with the option counterparties pursuant to which we sold warrants for the purchase of our Class A common stock. The convertible note hedge transactions are expected generally to reduce the potential dilution to our Class A common stock upon any conversion of the Convertible Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Convertible Notes, as the case may be. The warrant transactions would separately have a dilutive effect to the extent that the market price per share of our Class A common stock exceeds the strike price of any warrants unless, subject to the terms of the warrant transactions, we elect to cash settle the warrants.

From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the Convertible Notes. This activity could cause or avoid an increase or a decrease in the market price of our Class A common stock.

Anti-takeover provisions contained in our certificate of incorporation, our bylaws, and provisions of Delaware law could impair a takeover attempt.

Our amended and restated certificate of incorporation ("certificate of incorporation"), our second amended and restated bylaws ("bylaws"), and Delaware law contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors and therefore depress the trading price of our Class A common stock.

Among other things, our dual-class common stock structure provides our holders of Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding shares of common stock. Further, our certificate of incorporation and bylaws include provisions (i) creating a classified board of directors whose members serve staggered three-year terms; (ii) authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend, and other rights superior to our common stock; (iii) limiting the ability of our stockholders to call special meetings; (iv) eliminating the ability of our stockholders to act by written consent without a meeting or to remove directors without cause; and (v) requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors. These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents certain stockholders holding more than 15% of our outstanding capital stock from engaging in certain business combinations without the approval of our board of directors or the holders of at least two-thirds of our outstanding capital stock not held by such stockholder.

Any provision of our certificate of incorporation, bylaws, or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our Class A common stock.

Our bylaws provide that a state court or federal court located within the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our bylaws provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, another state court in Delaware or federal district court for the District of Delaware) is the exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers, or other employees to us or to our stockholders; (iii) any action asserting a claim arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws; or (iv) any action asserting a claim governed by the internal affairs doctrine, in all cases subject to the court having jurisdiction over the claims at issue and the indispensable parties. The choice of forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act. The choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees. Alternatively, if a court were to find the choice of forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have a material and adverse impact on our business.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our bylaws also provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Although we believe these exclusive forum provisions benefit us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the exclusive forum provisions may limit a stockholder’s ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, officers, stockholders, or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, officers, stockholders, or other employees. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions. Further, in the event a court finds either exclusive forum provision contained in our bylaws to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company leases 469,056 square feet of space in San Francisco, California, for product development, sales, marketing, and business operations under a lease that expires in 2023. We also lease 59,905 square feet in New York, New York for a product development, sales, and business operations office under a lease that expires in 2025. In December 2018, we entered into a lease arrangement for 355,762 square feet of office space in Oakland, California under a lease that expires in 2031. In July 2019, the Company entered into a lease arrangement for 226,185 square feet of office space in St Louis, Missouri, for a term of 15.5 years with options to extend the lease term for two 5-year terms. The lease commencement date varies by floor beginning in May 2020. In addition, we also have offices in several other locations and believe our facilities are sufficient for our current needs.

Item 3. LEGAL PROCEEDINGS

We are currently a party to, and may in the future be involved in, various litigation matters (including intellectual property litigation), legal claims, and government investigations. For information regarding legal proceedings in which we are involved, see “Litigation and Regulatory Matters” in Note 18 of the accompanying notes to our consolidated financial statements, which is incorporated herein by reference.

In addition, from time to time, we are involved in various other legal matters, investigations, claims, and disputes arising in the ordinary course of business. We cannot at this time fairly estimate a reasonable range of exposure, if any, of the potential liability with respect to these other matters. While we do not believe, at this time, that any ultimate liability resulting from any of these other matters will have a material adverse effect on our results of operations, financial position, or liquidity, we cannot give any assurance regarding the ultimate outcome of these other matters, and their resolution could be material to our operating results for any particular period.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our Class A common stock began trading on the New York Stock Exchange under the symbol "SQ" on November 19, 2015. Prior to that date, there was no public trading market for our Class A common stock. Our CHES Depository Interests ("CDIs") are traded on the Australian Securities Exchange (the "ASX") under the symbol "SQ2". There is no public trading market for our Class B common stock.

Holders of Record

As of February 18, 2022, there were 933 holders of record of our Class A common stock and 33 holders of record of our Class B common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our Class A common stock represented by these record holders. As of February 18, 2022, we estimate that we have approximately 57,773 holders of record of our CDIs.

Dividend Policy

We have never declared nor paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not expect to pay any dividends on our capital stock in the foreseeable future. Any future determination relating to our dividend policy will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors considers relevant.

Issuer Purchases of Equity Securities

Period	Total number of Shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
October 1 to October 31	693,901 ⁽ⁱ⁾	\$ 239.29 ⁽ⁱⁱ⁾	—	—
November 1 to November 30	14,493 ⁽ⁱⁱⁱ⁾	\$ 255.04 ⁽ⁱⁱ⁾	—	—
December 1 to December 31	192 ^(iv)	\$ —	—	—
Total	<u>708,586</u>	\$ 243.99 ⁽ⁱⁱ⁾	<u>—</u>	<u>—</u>

⁽ⁱ⁾ Includes 8,877 shares that have been withheld by the Company to satisfy its tax withholding and remittance obligations in connection with the vesting of restricted stock awards. In addition, the Company exercised a pro-rata portion of convertible note hedges (described in Note 13, *Indebtedness*, of the Notes to the Consolidated Financial Statements) to offset the shares of the Company's Class A common stock issued to settle the conversion of certain Convertible Notes. The note hedges were net shares settled and the Company received 685,024 shares of the Company's Class A common stock from the counterparties in October of 2021.

⁽ⁱⁱ⁾ Excludes the shares received through the exercise of the note hedges.

⁽ⁱⁱⁱ⁾ Includes 3,773 shares that have been withheld by the Company to satisfy its tax withholding and remittance obligations in connection with the vesting of restricted stock awards. In addition, the Company exercised a pro-rata portion of convertible note hedges (described in Note 13, *Indebtedness*, of the Notes to the Consolidated Financial Statements) to offset

the shares of the Company's Class A common stock issued to settle the conversion of certain Convertible Notes. The note hedges were net shares settled and the Company received 10,720 shares of the Company's Class A common stock from the counterparties in November of 2021.

(iv) The Company exercised a pro-rata portion of convertible note hedges (described in Note 13, *Indebtedness*, of the Notes to the Consolidated Financial Statements) to offset the shares of the Company's Class A common stock issued to settle the conversion of certain Convertible Notes. The note hedges were net shares settled and the Company received 192 shares of the Company's Class A common stock from the counterparties in December of 2021.

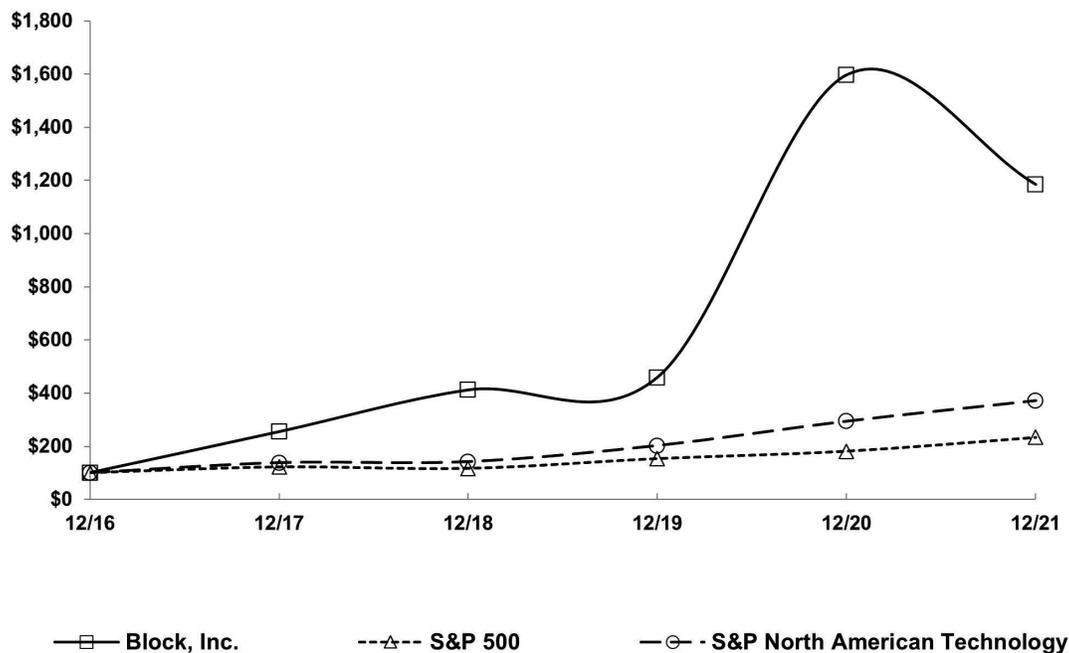
Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Block, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our common stock relative to the cumulative total returns of the Standard & Poor’s 500 Index, or S&P 500, and the S&P North American Technology Index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock and in each index on December 31, 2015 and its relative performance is tracked through December 31, 2021. The returns shown are based on historical results and are not intended to suggest future performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Block, Inc., the S&P 500 Index
and the S&P North American Technology Index



*\$100 invested on 12/31/16 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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Company/Index	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Block, Inc.	\$ 100.00	\$ 254.37	\$ 411.52	\$ 458.99	\$ 1,596.77	\$ 1,184.96
S&P 500	\$ 100.00	\$ 121.83	\$ 116.49	\$ 153.17	\$ 181.35	\$ 233.41
S&P North American Technology	\$ 100.00	\$ 137.78	\$ 141.75	\$ 202.25	\$ 293.57	\$ 371.08

Item 6. [RESERVED]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis provides a review of the results of operations, key operating metrics and non-GAAP financial measures, and liquidity and capital resources of Block, Inc. on a historical basis and outlines the factors that have affected recent earnings, as well as those factors that may affect future earnings. The following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K.

This section of this Annual Report on Form 10-K generally discusses fiscal 2021 compared to fiscal 2020. The comparison of the fiscal 2020 results with the fiscal 2019 results that are not included in this Annual Report on Form 10-K can be found in the "Management's Discussion and Analysis Results of Operations" section in the Company's fiscal 2020 Annual Report on Part II, Item 7 of Form 10-K, filed on February 23, 2021.

The statements in this discussion regarding our expectations of our future performance, liquidity, and capital resources; our plans, estimates, beliefs, and expectations that involve risks and uncertainties; and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

On December 1, 2021, we changed our name from Square to Block. Block is the name for the company as a corporate entity. We started Block with the Square ecosystem in February 2009 to enable businesses (sellers) to accept card payments, an important capability that was previously inaccessible to many businesses. However, sellers need many solutions to thrive, and we have expanded to provide them additional products and services and to give them access to a cohesive ecosystem of tools to help them manage and grow their businesses. Similarly, with Cash App, we have built an ecosystem of financial services to help individuals manage their money. We also added TIDAL, and TBD as businesses to contribute to our purpose of economic empowerment. TBD, a bitcoin-focused business was established to build an open developer platform with the goal of making it easy to create non-custodial, permissionless, and decentralized financial services.

Our Square ecosystem is a cohesive commerce ecosystem that helps sellers start, run and grow their businesses, and consists of over 30 distinct software, hardware, and financial services products. We monetize the majority of these products through a combination of transaction, subscription, and service fees. Our suite of cloud-based software solutions are integrated to create a seamless experience and enable a holistic view of sales, customers, employees, and locations. With our offerings, a seller can accept payments in person via swipe, dip, or tap of a card, or online via Square Invoices, Square Virtual Terminal, or the seller's website. We also provide hardware to facilitate commerce for sellers, which includes magstripe readers, contactless and chip readers, Square Stand, Square Register, Square Terminal, and third-party peripherals. Our Square ecosystem includes Square Banking launched in July 2021 for our U.S. sellers, which consists of a suite of products including Square Savings, Square Checking, and Square Loans (formerly known as Square Capital). Square Checking is offered through a partner bank, and Square Savings and Square Loans are offered through our wholly-owned subsidiary Square Financial Services, Inc. ("Square Financial Services"). The industrial loan company charter for Square Financial Services was approved by the Federal Deposit Insurance Corporation ("FDIC") on March 1, 2021. Square Financial Services offers banking services including certain loan and deposit products. In the second quarter of 2021, we began offering Square Loans in Australia. Square Savings allows sellers to automatically set aside funds from daily sales into savings accounts that earn interest. Square Checking provides sellers with an FDIC insured account allowing them instant access to their sales and the ability to use those funds for business expenses using their Square Debit Card, withdraw from an ATM, transfer via ACH, or paying employees via Square Payroll. Square Loans offers sellers access to business loans based on the seller's payment processing history. We recognize revenue upon the sale of the loans to third-party investors or over time as the sellers pay down the outstanding amounts for the loans that we hold as available for sale or for investment. We have grown rapidly to serve millions of sellers that represent a diverse set of industries (including services, food-related business, and retail businesses) and sizes, ranging from a single vendor at a farmers' market to multi-location businesses. Square sellers also span geographies, including the United States, Canada, Japan, Australia, the United Kingdom, Ireland, France and Spain.

Our Cash App ecosystem provides financial tools for individuals to store, send, receive, spend and invest money. With Cash App, customers can fund their account with a bank account or debit card, send and receive peer-to-peer payments, add physical cash at participating retailers, deposit mobile checks, and receive direct deposit payments. Customers can make

purchases with their Cash Card, a Visa prepaid card that is linked to the balance stored in Cash App. Additionally, customers can use Cash App Pay, a checkout option which allows customers to pay using their Cash App account. With Cash Boost, customers receive instant discounts when they make Cash Card purchases at designated merchants. Customers can also use their stored funds to buy and sell bitcoin and equity investments within Cash App. The Cash App ecosystem also includes a tax filing product for individuals, providing a seamless, mobile-first solution for individuals to file their taxes for free.

On January 31, 2022 (February 1, 2022 Australian Eastern Daylight Time), we completed the acquisition of Afterpay Limited (“Afterpay”), a global BNPL platform. The purchase consideration was comprised of 113,387,895 shares of the Company’s Class A common stock with an aggregate fair value of \$13.9 billion based on the closing price of the Company’s Class A common stock on the acquisition date. In addition, under the terms of acquisition agreement, the Company issued replacement equity awards for outstanding equity awards to Afterpay employees. Refer to Note 8, *Acquisitions*, of Notes to the Condensed Consolidated Financial Statements for further details.

On April 30, 2021, we completed the acquisition of a majority ownership interest in TIDAL as detailed in Note 8, *Acquisitions*, of Notes to the Consolidated Financial Statements. TIDAL is a global music and entertainment platform that brings fans and artists together through unique music, content, and experiences. The acquisition extends our purpose of economic empowerment to musicians.

On May 20, 2021, we issued an aggregate principal amount of \$2.0 billion of senior unsecured notes comprised of \$1.0 billion of senior unsecured notes that mature on June 1, 2026 (“2026 Senior Notes”) with a 2.75% interest rate, and \$1.0 billion of senior unsecured notes that mature on June 1, 2031 (“2031 Senior Notes”) with a 3.50% interest rate. The 2026 Senior Notes and 2031 Senior Notes will mature on each of its respective dates, unless earlier redeemed or repurchased. Interest on the 2026 Senior Notes and 2031 Senior Notes will be payable semi-annually on June 1 and December 1 of each year beginning on December 1, 2021. We intend to use the net proceeds from our 2026 Senior Notes and 2031 Senior Notes offerings for general corporate purposes, which may include potential acquisitions and strategic transactions, capital expenditures, investments and working capital.

We participated in two rounds of the Paycheck Protection Program (“PPP”) under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). These PPP loans are guaranteed by the U.S. government and are eligible for forgiveness if the borrowers meet certain criteria. As of December 31, 2021, we had facilitated the issuance of \$1.5 billion of loans in the aggregate under the program, of which we had sold \$399.1 million to an investor. As of December 31, 2021, approximately \$725.9 million in the aggregate of PPP loans had been forgiven by the SBA, of which, \$679.6 million was forgiven in the year ended December 31, 2021. We approved and funded the last remaining PPP applications on May 21, 2021 upon exhaustion of the funds in the program.

To fund some of our PPP loans, we entered into Paycheck Protection Program Liquidity Facility agreements with the Federal Reserve Bank of San Francisco for an aggregate principal amount of up to \$1.0 billion. Borrowings under the facility accrue interest at a rate of 0.35% and advances are collateralized by the same value of the loans originated under the PPP. The maturity date of any PPPLF advance is the maturity date of the PPP loan pledged to secure the advance, and will be accelerated upon the occurrence of certain events of default. The advances under the facility are repayable if the associated PPP loans are forgiven, repaid by the customer, or settled by the government guarantee. As of December 31, 2021, \$497.5 million of PPPLF advances were outstanding.

Update on the Impact of COVID-19 on Current Trends and Outlook

In 2021, we experienced improvements in our business, despite elevated infection rates across the country due to various COVID-19 variants. These improvements were mainly as a result of varying states of continued economic recovery and re-openings in the majority of U.S. markets. We experienced growth in our Square GPV performance, as in-person activity at sellers continued to increase on a year-over-year basis. Overall, we continued to experience improvements in our business in our international markets, although regional lockdowns in select markets periodically affected in-person activity. Our Cash App business performed well due to increased consumer spending, as we continued to benefit from the strength of a broader macroeconomic recovery, regional re-openings, and government stimulus and relief programs enacted in response to COVID-19.

Although our business results remain positive, the continued effects of the COVID-19 pandemic on our financial results and the broader economic recovery are unknown. The emergence of new and more transmissible variants of COVID-19 has at times led to a resurgence of the virus, particularly in populations with low vaccination rates. Further, the

impacts of inflation on our business and the broader economy, which may be exacerbated by the economic recovery from the COVID-19 pandemic, may also impact our financial condition and results of operations.

Components of Results of Operations

Revenue

Transaction-based revenue. We charge our sellers a transaction fee that is generally calculated based on a percentage of the total transaction amount processed. We also selectively offer custom pricing for certain larger sellers. Transaction-based revenue also includes amounts we charge our Cash App customers for peer-to-peer transactions to business accounts and payments sent from a credit card.

Subscription and services-based revenue. Revenue from Cash App, Square Loans (formerly known as Square Capital), and Instant Transfers for sellers currently comprise the majority of our subscription and services-based revenue. Cash App subscription and services-based revenue is primarily comprised of transaction fees from both Cash App Instant Deposit and Cash Card. Our other subscription and services-based products include website hosting and domain name registration services, Gift Cards, Square Appointments, Customer Engagement, Employee Management, Payroll, Square Checking, and other product offerings.

Instant Deposit is a functionality within the Cash App and our managed payment solutions that enables customers to instantly deposit funds into their bank accounts, while Cash Card offers Cash App customers the ability use their stored funds via a Visa prepaid card that is linked to the balance the customer stores in Cash App. We charge a per transaction fee which we recognize as revenue when customers instantly deposit funds to their bank account, use their Cash Card to make a purchase, or withdraw funds.

Square Loans originates loans to sellers that are generally repaid through withholding a percentage of the collections of the seller's receivables processed by us or a specified monthly amount. In April 2021, we began originating loans in the U.S. through our wholly-owned subsidiary bank, Square Financial Services. Prior to the launch of Square Financial Services, the loans were generally originated by a bank partner, from whom we purchased the loans to obtain all rights, title, and interests. We also originate loans to the customers of certain sellers which are generally repaid via ACH. For some of the loans, it is our intention to sell the rights, title, and interest to third-party investors for an upfront fee. We are retained by the third-party investors to service the loans and earn a servicing fee for facilitating the repayment of these loans through our payments solutions. Certain loans, for which we have the intention and ability to hold through maturity, are not immediately sold to third-party investors, in which case, interest and fees earned are recognized as revenue using the effective interest method.

TIDAL primarily generates revenue from subscriptions to its customers, and such subscriptions allow access to the song library, video library, and improved sound quality. Customers can subscribe to services directly from the TIDAL website or through the Apple store, for which the Company charges a monthly fee which is recognized ratably as revenue as the service is provided.

Hardware revenue. Hardware revenue includes revenue from sales of contactless and chip readers, Square Stand, Square Register, Square Terminal, and third-party peripherals. Third-party peripherals include cash drawers, receipt printers, and barcode scanners, all of which can be integrated with Square Stand, Square Register, or Square Terminal to provide a comprehensive point-of-sale solution.

Bitcoin revenue. Our Cash App customers have the ability to purchase bitcoin, a cryptocurrency. We recognize revenue when customers purchase bitcoin and it is transferred to the customer's account. We purchase bitcoin from private broker dealers or from Cash App customers and apply a small margin before selling it to our customers. The sale amounts received from our customers are recorded as revenue on a gross basis and the associated bitcoin cost as cost of revenues, as we are the principal in the bitcoin sale transaction. We have determined we are the principal because we control the bitcoin before delivery to the customer, we are primarily responsible for the delivery of the bitcoin to the customer, we are exposed to risks arising from fluctuations of the market price of bitcoin before delivery to the customer, and we have discretion in setting prices charged to the customer. Bitcoin revenue may fluctuate as a result of changes in customer demand or the market price of bitcoin.

Cost of Revenue and Gross Margin

Transaction-based costs. Transaction-based costs consist primarily of interchange and assessment fees, processing fees, and bank settlement fees paid to third-party payment processors and financial institutions.

Subscription and services-based costs. Subscription and services-based costs consist primarily of costs related to Cash App including Instant Deposit and Cash Card as well as Instant Transfer for sellers.

Hardware costs. Hardware costs consist primarily of product costs associated with contactless and chip readers, Square Terminal, Square Stand, Square Register, and third-party peripherals. Product costs include manufacturing-related overhead and personnel costs, packaging, and fulfillment costs. Hardware is sold primarily as a means to grow our transaction-based revenue and, as a result, generating positive gross margins from hardware sales is not the primary goal of the hardware business.

Bitcoin costs. Bitcoin cost of revenue is comprised of the amounts we pay to purchase bitcoin, which will fluctuate in line with the price of bitcoin in the market. We purchase bitcoin to facilitate customers' access to bitcoin.

Operating Expenses

Operating expenses consist of product development, sales and marketing, general and administrative expenses, transaction and loan losses, and bitcoin impairment losses. For product development and general and administrative expenses, the largest single component is personnel-related expenses, including salaries, commissions and bonuses, employee benefit costs, and share-based compensation. In the case of sales and marketing expenses, a significant portion is related to the Cash App peer-to-peer transactions and Cash Card issuance costs, in addition to paid advertising and personnel-related expenses. Operating expenses also include allocated overhead costs for facilities, human resources, and IT.

Product development. Product development expenses currently represent the largest component of our operating expenses and consist primarily of expenses related to our engineering, data science, and design personnel; fees and supply costs related to maintenance at third-party data center facilities; hardware related development and tooling costs; and fees for software licenses, consulting, legal, and other services that are directly related to growing and maintaining our portfolio of products and services. Additionally, product development expenses include the depreciation of product-related infrastructure and tools, including data center equipment, internally developed software, and computer equipment. We continue to focus our product development efforts on adding new features and apps, and on enhancing the functionality and ease of use of our offerings. Our ability to realize returns on these investments is substantially dependent upon our ability to successfully address current and emerging requirements of sellers, buyers, and customers through the development and introduction of these new products and services.

Sales and marketing. Sales and marketing expenses are aggregated into two main components. The first component consists of traditional advertising costs incurred such as direct sales expense, account management, local and product marketing, retail and e-commerce, partnerships, and communications personnel. The second component of sales and marketing expense consists of costs incurred for services, incentives and other costs that are not directly related to revenue generating transactions that we consider to be marketing costs to encourage the usage of Cash App. These expenses include, but are not limited to, Cash App peer-to-peer processing costs and transaction losses, card issuance costs, customer referral bonuses, and promotional giveaways that are expensed as incurred.

General and administrative. General and administrative expenses consist primarily of expenses related to our customer support, finance, legal, risk operations, human resources, and administrative personnel. General and administrative expenses also include costs related to fees paid for professional services, including legal, tax, and accounting services.

Transaction and loan losses. We are exposed to transaction losses due to chargebacks as a result of fraud or uncollectibility. We incur loan losses whenever the amortized cost of loans that have been retained exceeds their fair value.

Transaction losses include chargebacks for unauthorized credit card use and the inability to collect on disputes between buyers and sellers over the delivery of goods or services, as well as losses on Cash App activity related to peer-to-peer payments sent from a credit card, Cash for Business, and Cash Card. We base our reserve estimates on prior chargeback history and current period data points indicative of transaction loss. We reflect additions to the reserve in current operating

results, while realized losses are offset against the reserve. The establishment of appropriate reserves for transaction losses is an inherently uncertain process, and ultimate losses may vary from the current estimates. We regularly update our reserve estimates as new facts become known and events occur that may affect the settlement or recovery of losses.

Loan losses are recorded at the lower of amortized cost or fair value determined on an individual loan basis. To determine the fair value the Company utilizes industry-standard valuation modeling, such as discounted cash flow models, taking into account the estimated timing and amounts of periodic repayments. The Company recognizes a charge whenever the amortized cost of a loan exceeds its fair value, with such charges being reversed for subsequent increases in fair value, but only to the extent that such reversals do not result in the amortized cost of a loan exceeding its fair value.

Bitcoin impairment losses. Bitcoin held as an investment is accounted for as an indefinite lived intangible asset, and thus, is subject to impairment losses if the fair value of bitcoin decreases below the carrying value during the assessed period. Impairment losses cannot be recovered for any subsequent increase in fair value until the sale of the asset.

Interest and Other Income and Expense, net

Interest and other income and expense, net consists primarily of gains or losses arising from marking to market of equity investments, interest expense related to our long-term debt, interest income on our investment in marketable debt securities, and foreign currency-related gains and losses.

Provision (Benefit) for Income Taxes

The provision for income taxes consists primarily of federal, state, local, and foreign tax. Our effective tax rate fluctuates from period to period due to changes in the mix of income and losses in jurisdictions with a wide range of tax rates, the effect of acquisitions, changes resulting from the amount of recorded valuation allowance, permanent differences between U.S. generally accepted accounting principles and local tax laws, certain one-time items, and changes in tax contingencies.

Results of Operations

Revenue (in thousands, except for percentages)

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
Transaction-based revenue	\$ 4,793,146	\$ 3,294,978	\$ 1,498,168	45 %
Subscription and services-based revenue	2,709,731	1,539,403	1,170,328	76 %
Hardware revenue	145,679	91,654	54,025	59 %
Bitcoin revenue	10,012,647	4,571,543	5,441,104	119 %
Total net revenue	<u>\$ 17,661,203</u>	<u>\$ 9,497,578</u>	<u>\$ 8,163,625</u>	86 %

Total net revenue for the year ended December 31, 2021, increased by \$8.2 billion, or 86%, compared to the year ended December 31, 2020. Bitcoin revenue increased by \$5.4 billion, and represented 67% of the increase in total net revenue. Excluding bitcoin revenue, total net revenue increased by \$2.7 billion, or 55%, in the year ended December 31, 2021, compared to the year ended December 31, 2020.

Transaction-based revenue for the year ended December 31, 2021 increased by \$1.5 billion or 45%, compared to the year ended December 31, 2020. This increase in revenue was in line with the increase in GPV of 49% for the year ended December 31, 2021, compared to the year ended December 31, 2020. The increase was primarily attributable to and affected by the following events and factors:

- continued improvements in both card-present volumes as a result of regional re-openings and resumed in-person activity at sellers, as well as growth in card-not-present volume, which are higher-priced transactions;
- increase in consumer spending driven in part by a broader macro economic recovery, regional re-openings and growth in our Square GPV in international markets despite periodic lockdowns in certain markets, as well as U.S. government disbursements related to stimulus programs in place in 2021; and
- growth in Cash App Business GPV which includes Cash for Business and peer-to-peer payments sent from a credit card. Cash for Business includes peer-to-peer transactions received by business accounts using Cash App.

These factors had varying impacts on GPV growth and may continue to impact our revenues in the future.

Subscription and services-based revenue for the year ended December 31, 2021 increased by \$1.2 billion or 76%, compared to the year ended December 31, 2020. The increase was primarily driven by both Cash App and Square subscription and services products. The increase in Cash App subscription and services-based revenue is primarily due to increased Cash Card usage and Cash App Instant Deposit volumes. Square subscription and services-based revenue increased primarily due to the increased origination volumes of Square Loans, other software subscriptions, and Instant Transfer for sellers. Subscription and services-based revenue also includes revenue generated from music streaming services following the acquisition of TIDAL in the second quarter of 2021.

Hardware revenue for the year ended December 31, 2021 increased by \$54.0 million or 59%, compared to the year ended December 31, 2020. The increase was primarily a result of an overall increase in sales of hardware across many of our product offerings, due in particular to Square Register, Square Terminal, and third party peripherals.

Bitcoin revenue for the year ended December 31, 2021 increased by \$5.4 billion or 119% compared to the year ended December 31, 2020. The increase was due to the market price of bitcoin and growth in the number of active bitcoin customers. The amount of bitcoin revenue recognized will fluctuate depending on customer demand as well as changes in the market price of bitcoin. During the year ended December 31, 2021, we saw a significant growth in bitcoin revenue as compared to the year ended December 31, 2020. While bitcoin contributed 57% and 48% of the total revenue in 2021 and 2020, respectively, and 67% and 85% of the increase in revenues in 2021 and 2020, respectively, gross profit generated from bitcoin was only 4.9% and 3.5% of the total gross profit in 2021 and 2020, respectively.

<i>Cost of Revenue</i>	<i>(in thousands, except for percentages)</i>			
	Year Ended December 31,			
	2021	2020	\$ Change	% Change
Transaction-based costs	\$ 2,729,442	\$ 1,916,644	\$ 812,798	42 %
Subscription and services-based costs	495,761	228,649	267,112	117 %
Hardware costs	221,185	144,342	76,843	53 %
Bitcoin costs	9,794,992	4,474,534	5,320,458	119 %
Total cost of revenue	<u>\$ 13,241,380</u>	<u>\$ 6,764,169</u>	<u>\$ 6,477,211</u>	<u>96 %</u>

Total cost of revenue for the year ended December 31, 2021, increased by \$6.5 billion, or 96%, compared to the year ended December 31, 2020. Bitcoin costs of revenue increased by \$5.3 billion, and represented 82% of the increase in the total cost of revenue. Excluding bitcoin costs of revenue, total cost of revenue increased by approximately \$1.2 billion, or 51%, in the year ended year ended December 31, 2021, compared to the year ended December 31, 2020.

Transaction-based costs increased by \$812.8 million or 42% for the year ended December 31, 2021, compared to the year ended December 31, 2020. The increase in transaction-based costs was primarily attributable to an increase in GPV of 49% for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in GPV was partially offset by growth in card-present volumes, debit card transactions and an increase in average transaction size, lowering the average cost per transaction. Card-present and debit card transactions are, generally, associated with lower costs per transaction.

Subscription and services-based costs for the year ended December 31, 2021 increased by \$267.1 million or 117% compared to the year ended December 31, 2020. The increase was driven primarily by growth in Cash Card, Instant Deposit activity and costs related to music streaming services following the acquisition of TIDAL in the second quarter of 2021.

Hardware costs for the year ended December 31, 2021 increased by \$76.8 million or 53%, compared to the year ended December 31, 2020. The increase was primarily due to the same drivers for the increase in hardware revenue discussed above as well as increased costs in the second half of 2021 due to global chip shortages and increased shipping costs.

Bitcoin costs for the year ended December 31, 2021 increased by \$5.3 billion or 119%, compared to the year ended December 31, 2020. Bitcoin costs of revenue comprises of the total amounts we pay to purchase bitcoin, which will fluctuate in line with bitcoin revenue.

<i>Product Development</i>	<i>(in thousands, except for percentages)</i>			
	Year Ended December 31,			
	2021	2020	\$ Change	% Change
Product development	\$1,399,079	\$ 885,681	\$ 513,398	58 %
Percentage of total net revenue		8 %	9 %	

Product development expenses for the year ended December 31, 2021, increased by \$513.4 million, or 58%, compared to the year ended December 31, 2020, due primarily to the following:

- an increase of \$376.0 million in personnel costs for the year ended December 31, 2021, related to an increase in headcount among our engineering, data science, and design teams, as we continue to improve and diversify our products. The increase in personnel-related costs includes an increase in share-based compensation expense of \$157.0 million for the year ended December 31, 2021; and
- an increase of \$127.5 million in software and data center operating costs, consulting, depreciation and operating expense allocations, and certain Cash App crypto networks operating costs for the year ended December 31, 2021 as a result of increased capacity needs and expansion of our cloud-based services.

<i>Sales and Marketing</i>	<i>(in thousands, except for percentages)</i>			
	Year Ended December 31,			
	2021	2020	\$ Change	% Change
Sales and marketing	\$1,617,189	\$1,109,670	\$ 507,519	46 %
Percentage of total net revenue	9 %	12 %		

Sales and marketing expenses for the year ended December 31, 2021, increased by \$507.5 million, or 46%, compared to the year ended December 31, 2020, primarily due to the following:

- an increase in Cash App marketing costs of \$272.3 million for the year ended December 31, 2021. Cash App customer acquisition costs increased by \$167.1 million, in addition to processing costs and related transaction losses increased by \$93.7 million as a result of increased volumes of activity with our Cash App peer-to-peer service and increased card issuance costs. Cash App customer acquisition costs include advertising costs and costs associated with various incentives to customers. We consider the free services such as stock investing, Cash App Tax, and certain Cash Card and peer-to-peer services offered Cash App customers to be marketing initiatives aimed at attracting new customers and encouraging the usage of Cash App;
- an increase of \$81.3 million in sales and marketing personnel costs to enable growth initiatives. The increase in personnel related costs includes an increase in share-based compensation expense of \$20.4 million;
- an increase of \$72.5 million in advertising costs for our Square ecosystem services for the year ended December 31, 2021, primarily from increased online and television marketing campaigns; and
- an increase in sales and marketing expenses due to the recent acquisition of TIDAL completed in the second quarter of 2021.

<i>General and Administrative</i>	<i>(in thousands, except for percentages)</i>			
	Year Ended December 31,			
	2021	2020	\$ Change	% Change
General and administrative	\$ 983,326	\$ 579,203	\$ 404,123	70 %
Percentage of total net revenue	6 %	6 %		

General and administrative expenses for the year ended December 31, 2021, increased by \$404.1 million, or 70%, compared to the year ended December 31, 2020, primarily due to the following:

- an increase of \$211.4 million in general and administrative personnel costs for the year ended December 31, 2021, mainly as a result of additions to our customer support, legal, finance and human resource personnel as we continued to add resources and skills to support our long-term growth as our business continues to scale. The increase in personnel related costs includes an increase in share-based compensation expense of \$33.0 million for the year ended December 31, 2021; and
- the remaining increase was primarily due to an increase in third-party legal and other professional fees, including acquisition-related expenses, software and subscription costs, and other administrative expenses.

Transaction and Loan Losses (in thousands, except for percentages)

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
	Transaction and loan losses	\$ 187,991	\$ 177,670	\$ 10,321

Transaction and loan losses for the year ended December 31, 2021, increased by \$10.3 million, or 6%, compared to the year ended December 31, 2020, primarily due to the following:

- transaction losses increased by \$30.2 million for the year ended December 31, 2021 due to growth in our Cash App business. The increase in the year ended December 31, 2021 was due to increased transaction volumes associated with Cash Card in the year ended December 31, 2021. This increase was offset by lower Square risk loss provisions recorded as businesses recovered as a result of regional re-openings and broader macro economic recovery, reducing the risk of chargebacks related to uncollectibility. Overall, we recorded higher risk loss provisions for our Square business in the prior year due to the expected impact of COVID-19; and
- a decrease of \$19.9 million in loan losses for the year ended December 31, 2021 primarily due to higher incremental provisions for loan losses associated with the COVID-19 pandemic recorded during the year ended December 31, 2020.

Bitcoin Impairment Losses (in thousands, except for percentages)

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
Bitcoin impairment losses	\$ 71,126	\$ —	\$ 71,126	NM

Bitcoin impairment losses of \$71.1 million were recorded in the year ended December 31, 2021 due to the market price of bitcoin decreasing below the carrying value of our bitcoin investment during the period. As of December 31, 2021, the fair value of our investment in bitcoin was \$371.0 million based on observable market prices, which is \$222.1 million in excess of the carrying value of our investment of \$149.0 million. Any unrealized gains on our bitcoin investment will only be recognized upon the sale of such bitcoin investment.

Interest Expense, Net, and Other Expense (Income), Net (in thousands, except for percentages)

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
Interest expense, net	\$ 33,124	\$ 56,943	\$ (23,819)	(42)%
Other expense (income), net	(29,474)	(291,725)	262,251	NM

Interest expense, net, for the year ended December 31, 2021 decreased by \$23.8 million compared to the year ended December 31, 2020. The decrease was primarily due to lower non-cash interest expense related to our convertible notes as a result of the adoption of ASU No. 2020-06 on January 1, 2021. Under ASU No. 2020-06, convertible notes will no longer be separated into a debt and equity component, thereby eliminating the discount associated with the equity component and the interest expense associated with such discount. This was offset in part by increases in cash interest expense related to the issuance of the 2031 Senior Notes and 2026 Senior Notes issued in May 2021. Refer to Note 13, *Indebtedness*, of Notes to the Consolidated Financial Statements for further details.

Other expense (income), net is primarily driven by the amounts of gains or losses arising from the revaluation of our equity investments, amortization of investments in marketable debt securities, and foreign exchange losses. In December 2020, upon DoorDash's initial public offering, the preferred shares held by the Company converted into common shares of DoorDash. As of December 31, 2020, the Company revalued this investment and recorded a gain of \$276.3 million in the year ended December 31, 2020. Additionally, in the fourth quarter of 2020, we recorded a gain on investment in a privately held entity of \$19.0 million based on observable prices for similar equity instruments issued by the same entity. During the year ended December 31, 2021, we recorded a net gain related to the investment in DoorDash of \$44.4 million, partially offset by \$14.9 million of investment amortization. In June 2021, we completed the sale of our remaining investment in DoorDash, which will have no further impact on our results in future periods.

Segment Results

Square Results

The following tables provide a summary of the revenue and gross profit for our Square segment for the year ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
Net revenue	\$ 5,193,348	\$ 3,529,192	\$ 1,664,156	47 %
Cost of revenue	2,876,677	2,021,361	855,316	42 %
Gross profit	<u>\$ 2,316,671</u>	<u>\$ 1,507,831</u>	<u>\$ 808,840</u>	54 %

Revenue

Revenue for the Square segment for the year ended December 31, 2021 increased by \$1.7 billion compared to the year ended December 31, 2020.

The increase was primarily due to the growth in GPV attributable to increased consumer spending driven in part by a broader macro economic recovery, shelter-in-place orders being lifted, regional re-openings and resumed in-person activity at sellers. Additionally, government disbursements related to stimulus programs enacted through 2021 led to an increase in both card-present volumes and higher-priced card-not-present transactions.

Cost of revenue

Cost of revenue for the Square segment for the year ended December 31, 2021 increased by \$855.3 million compared to the year ended December 31, 2020. The increase was primarily due to growth in GPV and an increase in both card-present volumes and higher-priced card-not-present transactions, offset by a higher overall percentage of debit card transactions, which have a lower cost per transaction.

Cash App Results

The following tables provide a summary of the revenue and gross profit for our Cash App segment for the year ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
Net revenue	\$ 12,315,499	\$ 5,968,386	\$ 6,347,113	106 %
Cost of revenue	10,244,652	4,742,808	5,501,844	116 %
Gross profit	<u>\$ 2,070,847</u>	<u>\$ 1,225,578</u>	<u>\$ 845,269</u>	69 %

Revenue

Revenue for the Cash App segment for the year ended December 31, 2021 increased by \$6.3 billion compared to the year ended December 31, 2020. The primary drivers were growth in bitcoin revenue, and to a lesser extent, Cash App Instant Deposit, Cash Card, and Cash for Business. Bitcoin revenue increased due to the market price of bitcoin and growth in the number of active bitcoin customers. While bitcoin contributed 57% and 48% of the total revenue in 2021 and 2020, respectively, and 67% and 85% of the increase in revenues in 2021 and 2020, respectively, gross profit generated from bitcoin was only 4.9% and 3.5% of the total gross profit in 2021 and 2020, respectively. Excluding bitcoin revenue, Cash App revenue increased \$906.0 million or 65% compared to the year ended December 31, 2020 due to the growth in numbers of active Cash App customers, increase in the number of business accounts, broader macroeconomic recovery, and from government stimulus and relief programs in place in 2021. These relief programs provided government aid and unemployment benefits which resulted in an increase in consumer spending and inflows into our Cash App ecosystem. Cash App revenue growth may not be sustained at the same levels in future periods and may be impacted by the enactment of further stimulus relief and benefit programs, as well as the demand and market prices for bitcoin, amongst other factors.

Cost of revenue

Cost of revenue for the Cash App segment for the year ended December 31, 2021 increased by \$5.5 billion compared to the year ended December 31, 2020. The primary drivers for the increase were growth in bitcoin revenue and the associated costs of such bitcoin revenue, as discussed above. Excluding bitcoin cost of revenue, Cash App cost of revenue increased \$181.4 million or 68% due to the growth in Cash Card, Cash App Instant Deposit, and Cash for Business.

Comparison of Years Ended December 31, 2020 and 2019

For a discussion of the 2020 Results of Operations, including a discussion of the financial results for the fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019, refer to Part I, Item 7 of our Form 10-K filed with the SEC on February 23, 2021.

Key Operating Metrics and Non-GAAP Financial Measures

We collect and analyze operating and financial data to evaluate the health of our business, allocate our resources, and assess our performance. In addition to total net revenue, net income (loss), and other results under generally accepted accounting principles (GAAP), the following table sets forth key operating metrics and non-GAAP financial measures we use to evaluate our business. We believe these metrics and measures are useful to facilitate period-to-period comparisons of our business, and to facilitate comparisons of our performance to that of other payment solution providers.

	Year Ended December 31,				
	2021	2020	2019	2018	2017
	<i>(in thousands, except for GPV and per share data)</i>				
Gross Payment Volume (GPV) (in millions)	\$ 167,720	\$ 112,295	\$ 106,239	\$ 84,654	\$ 65,343
Adjusted EBITDA	\$ 1,013,657	\$ 474,071	\$ 416,853	\$ 256,523	\$ 139,009
Adjusted Net Income Per Share:					
Basic	\$ 1.94	\$ 0.95	\$ 0.90	\$ 0.55	\$ 0.30
Diluted	\$ 1.71	\$ 0.84	\$ 0.80	\$ 0.47	\$ 0.27

Gross Payment Volume (GPV)

We define GPV as the total dollar amount of all card payments processed by sellers using Square, net of refunds, and ACH transfers. Additionally, GPV includes Cash App Business GPV, which is comprised of Cash App activity related to peer-to-peer transactions received by business accounts, and peer-to-peer payments sent from a credit card.

Adjusted EBITDA and Adjusted Net Income (Loss) Per Share (Adjusted EPS)

Adjusted EBITDA and Adjusted EPS are non-GAAP financial measures that represent our net income (loss) and net income (loss) per share, adjusted to eliminate the effect of items as described below. We have included these non-GAAP financial measures in this Annual Report on Form 10-K because they are key measures used by our management to evaluate our operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of internal resources. Accordingly, we believe these measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. In addition, they provide useful measures for period-to-period comparisons of our business, as they remove the effect of certain non-cash items and certain variable charges.

- We believe it is useful to exclude certain non-cash charges, such as amortization of intangible assets, and share-based compensation expenses, from our non-GAAP financial measures because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations.
- In connection with the issuance of our convertible senior notes (as described in Note 13, *Indebtedness*, of the notes of the Consolidated Financial Statements), prior to the adoption of ASU No. 2020-06 on January 1, 2021, we were required to recognize non-cash interest expense related to amortization of debt discount and issuance costs. Subsequent to adoption, we only recognize non-cash interest expense related to amortization of debt issuance costs on convertible notes and unsecured notes. We believe that excluding these expenses from our non-GAAP measures is useful to investors because such incremental non-cash interest expense does not represent a current or future cash outflow for the Company and is therefore not indicative of our continuing operations or meaningful when comparing current results to past results. Additionally, for purposes of calculating diluted Adjusted EPS we add back cash interest expense on convertible senior notes, as if converted at the beginning of the period, if the impact is dilutive.
- We exclude gain or loss on the disposal of property and equipment, gain or loss on revaluation of equity investments, bitcoin impairment losses, and prior to the adoption of ASU No. 2020-06 on January 1, 2021, gain or loss on debt extinguishment related to the conversion of convertible notes, as applicable, from non-GAAP financial measures because we do not believe that these items are reflective of our ongoing business operations.
- We also exclude certain transaction and integration costs associated with business combinations, and various other costs that are not normal operating expenses. Transaction costs include amounts paid to redeem acquirees' unvested

share-based compensation awards, and legal, accounting, valuation and due diligence costs. Integration costs include advisory and other professional services or consulting fees necessary to integrate acquired businesses. Other costs that are not reflective of our core business operating expenses may include contingent losses, litigation and regulatory charges. We also add back the impact of the acquired deferred revenue and deferred cost adjustment, which was written down to fair value in purchase accounting.

In addition to the items above, Adjusted EBITDA as a non-GAAP financial measure also excludes depreciation, other cash interest income and expense, other income and expense and provision or benefit from income taxes, as these items are not components of our core business operations.

Non-GAAP financial measures have limitations, should be considered as supplemental in nature and are not meant as a substitute for the related financial information prepared in accordance with GAAP. These limitations include the following:

- share-based compensation expense has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy;
- the intangible assets being amortized may have to be replaced in the future, and the non-GAAP financial measures do not reflect cash capital expenditure requirements for such replacements or for new capital expenditures or other capital commitments; and
- non-GAAP measures do not reflect changes in, or cash requirements for, our working capital needs.

In addition to the limitations above, Adjusted EBITDA as a non-GAAP financial measure does not reflect the effect of depreciation expense and related cash capital requirements, income taxes that may represent a reduction in cash available to us, and the effect of foreign currency exchange gains or losses, which is included in other income and expense.

Other companies, including companies in our industry, may calculate the non-GAAP financial measures differently or not at all, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider the non-GAAP financial measures alongside other financial performance measures, including net income (loss) and our other financial results presented in accordance with GAAP.

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for each of the periods indicated (in thousands):

	Year Ended December 31,				
	2021	2020	2019	2018	2017
Net income (loss) attributable to common stockholders	\$ 166,284	\$ 213,105	\$ 375,446	\$ (38,453)	\$ (62,813)
Net loss attributable to noncontrolling interests	(7,458)	—	—	—	—
Net income (loss)	158,826	213,105	375,446	(38,453)	(62,813)
Share-based compensation expense	608,042	397,500	297,863	216,881	155,836
Depreciation and amortization	134,756	84,212	75,598	60,961	37,279
Acquisition related, integration and other costs	35,474	7,482	9,739	4,708	—
Interest expense, net	33,124	56,943	21,516	17,982	10,053
Other expense (income), net	(29,474)	(291,725)	273	(18,469)	(1,595)
Bitcoin impairment losses	71,126	—	—	—	—
Provision (benefit) for income taxes	(1,364)	2,862	2,767	2,326	149
Loss (gain) on disposal of property and equipment	2,633	2,570	1,008	(224)	100
Gain on sale of asset group	—	—	(373,445)	—	—
Acquired deferred revenue adjustment	744	1,497	7,457	12,853	—
Acquired deferred costs adjustment	(230)	(375)	(1,369)	(2,042)	—
Adjusted EBITDA	<u>\$ 1,013,657</u>	<u>\$ 474,071</u>	<u>\$ 416,853</u>	<u>\$ 256,523</u>	<u>\$ 139,009</u>

The following table presents a reconciliation of net income (loss) to Adjusted Net Income (Loss) Per Share for each of the periods indicated (in thousands, except per share data):

	Year Ended December 31,				
	2021	2020	2019	2018	2017
Net income (loss) attributable to common stockholders	\$ 166,284	\$ 213,105	\$ 375,446	\$ (38,453)	\$ (62,813)
Net loss attributable to noncontrolling interests	(7,458)	—	—	—	—
Net income (loss)	\$ 158,826	\$ 213,105	\$ 375,446	\$ (38,453)	\$ (62,813)
Share-based compensation expense	608,042	397,500	297,863	216,881	155,836
Acquisition related, integration and other costs	35,474	7,482	9,739	4,708	—
Amortization of intangible assets	40,522	19,239	15,000	13,103	7,615
Amortization of debt discount and issuance costs	9,822	67,979	39,139	32,855	14,223
Loss (gain) on revaluation of equity investments	(35,493)	(295,297)	12,326	(20,342)	—
Bitcoin impairment losses	71,126	—	—	—	—
Loss on extinguishment of long-term debt	—	6,651	—	5,028	—
Loss (gain) on disposal of property and equipment	2,633	2,570	1,008	(224)	100
Gain on sale of asset group	—	—	(373,445)	—	—
Acquired deferred revenue adjustment	744	1,497	7,457	12,853	—
Acquired deferred cost adjustment	(230)	(375)	(1,369)	(2,042)	—
Adjusted Net Income - basic	<u>\$ 891,466</u>	<u>\$ 420,351</u>	<u>\$ 383,164</u>	<u>\$ 224,367</u>	<u>\$ 114,961</u>
Cash interest expense on convertible senior notes	6,099	6,078	5,108	1,292	—
Adjusted Net Income - diluted	<u>\$ 897,565</u>	<u>\$ 426,429</u>	<u>\$ 388,272</u>	<u>\$ 225,659</u>	<u>\$ 114,961</u>
Adjusted Net Income Per Share:					
Basic	<u>\$ 1.94</u>	<u>\$ 0.95</u>	<u>\$ 0.90</u>	<u>\$ 0.55</u>	<u>\$ 0.30</u>
Diluted	<u>\$ 1.71</u>	<u>\$ 0.84</u>	<u>\$ 0.80</u>	<u>\$ 0.47</u>	<u>\$ 0.27</u>
Weighted-average shares used to compute Adjusted Net Income Per Share:					
Basic	<u>458,432</u>	<u>443,126</u>	<u>424,999</u>	<u>405,731</u>	<u>379,344</u>
Diluted	<u>525,725</u>	<u>507,229</u>	<u>486,381</u>	<u>478,895</u>	<u>426,519</u>

To calculate the diluted Adjusted EPS we adjust the weighted-average number of shares of common stock outstanding for the dilutive effect of all potential shares of common stock.

In periods when we recorded an Adjusted Net Loss, the diluted Adjusted EPS is the same as basic Adjusted EPS because the effects of potentially dilutive items were anti-dilutive given the Adjusted Net Loss position.

Liquidity and Capital Resources

We continued to experience improvements in our business as the majority of U.S. markets transitioned to varying states of economic recovery and reopenings. Although our outlook and business results continue to be positive, the extent to which the COVID-19 pandemic will further impact our results of operations, financial condition and cash flows in the future is unknown. We continue to evaluate our investment plans and discretionary expenditures and will make adjustments accordingly.

As of December 31, 2021, we had approximately \$7.4 billion in available funds, including an undrawn amount of \$500.0 million available under our revolving credit facility, as described in Note 13, *Indebtedness*, of Notes to the Consolidated Financial Statements. On February 23, 2022, we entered into an amendment to our revolving credit facility to increase the commitments under the facility to \$600 million, as described in Part II, Item 9B, *Other Information*. We intend to continue focusing on our long-term business initiatives and believe that our available funds are sufficient to meet our liquidity needs for the foreseeable future. We are carefully monitoring and managing our cash position in light of ongoing conditions and levels of operations. As of December 31, 2021, we were in compliance with all financial covenants associated with the 2020 Credit Facility and Senior Notes.

The following table summarizes our cash, cash equivalents, restricted cash, customer funds and investments in marketable debt securities (in thousands):

Liquidity and Capital Sources

	Year Ended December 31,	
	2021	2020
Cash and cash equivalents	\$ 4,443,669	\$ 3,158,058
Short-term restricted cash	18,778	30,279
Long-term restricted cash	71,702	13,526
Customer funds cash and cash equivalents	2,440,941	1,591,308
Cash, cash equivalents, restricted cash and customer funds	6,975,090	4,793,171
Investments in short-term debt securities	869,283	695,112
Investments in long-term debt securities	1,526,430	463,950
Cash, cash equivalents, restricted cash, customer funds and investments in marketable debt securities	<u>\$ 9,370,803</u>	<u>\$ 5,952,233</u>

Our principal sources of liquidity are our cash and cash equivalents, and investments in marketable debt securities. As of December 31, 2021, we had \$9.4 billion of cash and cash equivalents, restricted cash, customer funds cash and cash equivalents, and investments in marketable debt securities. Customer funds cash and cash equivalents are separate from the Company's corporate funds and are not used for any corporate purposes. These funds are not used for Company liquidity, but rather to meet the obligations set aside for customers. Investments in marketable debt securities were held primarily in cash deposits, money market funds, reverse repurchase agreements, U.S. government and agency securities, commercial paper, and corporate bonds. We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Our investments in marketable debt securities are classified as available-for-sale. Excluding customer funds, our total liquidity as of December 31, 2021 was \$6.9 billion. From time to time, we have raised capital by issuing equity, equity-linked, or debt securities such as our convertible notes and senior notes.

We purchased \$50.0 million and \$170.0 million in bitcoin in October 2020 and February 2021, respectively, as we believe cryptocurrency is an instrument of economic empowerment that aligns with our corporate purpose. We expect to hold these investments for the long term but will continue to reassess our investment in bitcoin relative to our balance sheet. As bitcoin is considered an indefinite lived intangible asset, under the accounting policy for such assets we will be required to recognize any decreases in market prices below carrying value as an impairment charge, with any mark up in value prohibited if the market price of bitcoin subsequently increases. We recorded impairment charges of \$71.1 million in the year ended December 31, 2021 due to the observed market price of bitcoin decreasing below the carrying value during the period. As of December 31, 2021, the fair value of the investment in bitcoin was \$371.0 million based on observable market prices which is \$222.1 million in excess of the Company's carrying value of \$149.0 million.

In September 2020, we announced our intent to invest \$100 million in supporting underserved communities, particularly, racial and ethnic minority groups who have been disproportionately affected by COVID-19. This initiative further deepens our commitment toward economic empowerment to help broaden such communities' access to financial services. As of December 31, 2021, we have invested \$21.9 million in aggregate towards this initiative, of which \$21.5 million and \$0.4 million were invested in the years ended December 31, 2021 and 2020, respectively.

Our principal commitments consist of convertible senior notes, liquidity facility, revolving credit facility, operating leases, capital leases, and purchase commitments.

As of December 31, 2021, we held \$2.6 billion in aggregate principal amount of long-term debt, comprised of \$0.5 billion in aggregate principal amount of outstanding convertible senior notes that mature on March 1, 2022 ("2022 Convertible Notes"), \$460.6 million in aggregate principal amount of convertible senior notes that mature on May 15, 2023 ("2023 Convertible Notes"), \$1.0 billion in aggregate amount of convertible senior notes that mature on March 1, 2025 ("2025 Convertible Notes"), \$575.0 million in aggregate amount of convertible senior notes that mature on May 1, 2026 ("2026 Convertible Notes"), and \$575.0 million in aggregate amount of convertible senior notes that mature on November 1, 2027 ("2027 Convertible Notes," and together with the 2022 Convertible Notes, 2023 Convertible Notes, 2025 Convertible Notes, and 2026 Convertible Notes, the "Convertible Notes"). Additionally, on May 20, 2021, we issued \$1.0 billion in aggregate principal amount of outstanding senior unsecured notes that mature on June 1, 2026 ("2026 Senior Notes") and \$1.0 billion in aggregate principal amount of outstanding senior unsecured notes that mature on June 1, 2031 ("2031 Senior Notes" and, together with the 2026 Senior Notes, the "Senior Notes" and, together with the Convertible Notes, the "Notes"). The 2022 Convertible Notes bear interest at a rate of 0.375% payable semi-annually on March 1 and September 1 of each year, while the 2023 Convertible Notes bear interest at a rate of 0.50% payable semi-annually on May 15 and November 15 of each year, and the 2025 Convertible Notes bear interest at a rate of 0.125% payable semi-annually on March 1 and September 1 of each year. The 2026 Convertible Notes bear no interest, whereas, the 2027 Convertible Notes bear interest at a rate of 0.25% payable semi-annually on May 1 and November 1 of each year. These convertible notes can be converted or repurchased prior to maturity if certain conditions are met. The 2026 Senior Notes bear interest a rate of 2.75% payable semi-annually on June 1 and December 1, while the 2031 Senior Notes bear interest at a rate of 3.50% payable semi-annually on June 1 and December 1 of each year. These Senior Notes can be redeemed or repurchased prior to maturity if certain conditions are met.

In June 2020, we entered into the Paycheck Protection Program Liquidity Facility ("PPPLF") agreement with the Federal Reserve Bank of San Francisco ("First PPPLF Agreement") to secure additional credit collateralized by PPP loans. The advances under this facility are repayable if the associated PPP loans are forgiven, repaid by a customer or settled by the government guarantee. On January 29, 2021, we entered into a second PPPLF agreement with the Federal Reserve Bank of San Francisco ("Second PPPLF Agreement") to secure additional credit, collateralized by loans from the second round of the PPP program, in an aggregate principal amount of up to \$1.0 billion under both PPPLF Agreements. The maturity date of any PPPLF advances is the maturity date of the PPP loan pledged to secure the advance, and will be accelerated upon the occurrence of certain events of default. Although loans originated under the PPP have a stated maturity of between two and five years from origination, some of the loans may be forgiven 24 weeks after disbursement if they meet certain specified criteria. The PPPLF advances are repayable if the associated PPP loan is forgiven, repaid by the customer, or settled by the government guarantee. As of December 31, 2021, \$497.5 million of PPPLF advances were outstanding and are, generally, collateralized by the same value of PPP loans. Any differences between the amounts are generally due to the timing of PPP loan repayment or forgiveness, and repayment of PPPLF advances.

In May 2020, we entered into a revolving credit agreement with certain lenders, as subsequently amended, which provides a \$500 million senior unsecured revolving credit facility (the "2020 Credit Facility") maturing in May 2023. Loans under the 2020 Credit Facility bear interest at our option of (i) a base rate based on the highest of the prime rate, the federal funds rate plus 0.50%, and the adjusted LIBOR rate plus 1.00%, in each case, plus a margin ranging from 0.25% to 0.75% or (ii) an adjusted LIBOR rate plus a margin ranging from 1.25% to 1.75%. The margin is determined based on our total net leverage ratio, as defined in the agreement. We are obligated to pay other customary fees for a credit facility of this size and type including an unused commitment fee of 0.15%. To date, no funds have been drawn and no letters of credit have been issued under the 2020 Credit Facility.

See Note 13, *Indebtedness*, of the Notes to the Consolidated Financial Statements for more details on these transactions.

We believe that our existing cash and cash equivalents, investment in marketable debt securities, and availability under our line of credit will be sufficient to meet our working capital needs, including any expenditures related to strategic transactions and investment commitments that we may from time to time enter into, and planned capital expenditures for at least the next 12 months. From time to time, we may seek to raise additional capital through equity, equity-linked, and debt financing arrangements. We cannot provide assurance that any additional financing will be available to us on acceptable terms or at all.

As of December 31, 2021, we hold a non-investment grade rating by S&P Global Ratings (BB), Fitch Ratings, Inc. (BB) and Moody's Corporation (Ba2). We expect that these credit rating agencies will continue to monitor our performance, including our capital structure and results of operations. Our liquidity, access to capital, and borrowing costs could be adversely impacted by declines in our credit rating.

We have entered into various non-cancelable operating leases for certain offices with contractual lease periods expiring between 2022 and 2034. We recognized total rental expenses under operating leases of \$80.3 million, \$75.2 million, and \$32.5 million during the years ended December 31, 2021, 2020, and 2019, respectively. We had non-cancelable purchase obligations to hardware suppliers for \$85.7 million for the year ended December 31, 2021. We do not have any off-balance sheet arrangements during the periods presented.

Short-term restricted cash of \$18.8 million as of December 31, 2021 reflects pledged cash deposited into savings accounts at the financial institutions that process our sellers' payments transactions and as collateral pursuant to agreements with third party originating banks for certain loan products. We use the restricted cash to secure letters of credit with these financial institutions to provide collateral for liabilities arising from cash flow timing differences in the processing of these payments. We have recorded this amount as a current asset on our consolidated balance sheets given the short-term nature of these cash flow timing differences and that there is no minimum time frame during which the cash must remain restricted. Additionally, this balance includes certain amounts held as collateral pursuant to multi-year lease agreements, discussed in the paragraph above, which we expect to become unrestricted within the next year.

Long-term restricted cash of \$71.7 million as of December 31, 2021 is primarily related to a reserve deposit to satisfy the capital and liquidity requirements associated with the banking operations of SFS mandated by the FDIC, as well as cash deposited into money market funds that is used as collateral pursuant to multi-year lease agreements. We have recorded these amounts as non-current assets on the consolidated balance sheets as we are required to establish and maintain the reserve deposit at all times to support the ongoing liquidity obligations of SFS, and due to certain lease terms extending beyond one year.

We experience significant day-to-day fluctuations in our cash and cash equivalents due to fluctuations in settlements receivable, and customers payable, and hence working capital. These fluctuations are primarily due to:

- *Timing of period end.* For periods that end on a weekend or a bank holiday, our cash and cash equivalents, settlements receivable, and customers payable balances typically will be higher than for periods ending on a weekday, as we settle to our sellers for payment processing activity on business days; and
- *Fluctuations in daily GPV.* When daily GPV increases, our cash and cash equivalents, settlements receivable, and customers payable amounts increase. Typically our settlements receivable, and customers payable balances at period end represent one to four days of receivables and disbursements to be made in the subsequent period. Customers payable, excluding amounts attributable to Cash App stored funds, and settlements receivable balances typically move in tandem, as pay-out and pay-in largely occur on the same business day. However, customers payable balances will be greater in amount than settlements receivable balances due to the fact that a subset of funds are held due to unlinked bank accounts, risk holds, and chargebacks. Also, customer funds obligations, which are included in customers payable, may cause customers payable to trend differently than settlements receivable. Holidays and day-of-week may also cause significant volatility in daily GPV amounts.

Cash Flow Activities

In the fourth quarter of 2021, we adjusted our Consolidated Statement of Cash Flows to include changes in customer funds, cash and cash equivalents associated with Customer payable as a financing activity. Previously, the changes in customer funds and customer payable were presented within operating activities our Consolidated Statements of Cash Flows. The adjustment results in the portion of customer funds that is held in cash and cash equivalents, restricted cash and customer

funds being included in the beginning and ending period totals of cash, cash equivalents, restricted cash and customer funds. Prior period amounts have been adjusted to this presentation. Please see Note 1 of the Notes to our consolidated financial statements for further details.

The following table summarizes our cash flow activities (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Net cash provided by operating activities	\$ 847,830	\$ 173,110
Net cash used in investing activities	(1,310,879)	(606,636)
Net cash provided by financing activities	2,652,034	3,676,735
Effect of foreign exchange rate on cash and cash equivalents	(7,066)	12,995
Net increase in cash, cash equivalents, restricted cash and customer funds	<u>\$ 2,181,919</u>	<u>\$ 3,256,204</u>

Cash Flows from Operating Activities

Cash provided by operating activities consisted of our net income adjusted for certain non-cash items, including gain or loss on revaluation of equity investments, depreciation and amortization, non-cash interest and other expense, share-based compensation expense, transaction and loan losses, bitcoin impairment losses, deferred income taxes, non-cash lease expense, gain on sale of asset group, as well as the effect of changes in operating assets and liabilities, including working capital.

For the year ended December 31, 2021, cash provided by operating activities was \$847.8 million, primarily due to net income of \$158.8 million, adjusted for the add back of non-cash expenses of \$1.1 billion consisting primarily of share-based compensation, transaction and loan losses, depreciation and amortization, non-cash interest, bitcoin impairment losses and other expenses. This was offset by a net outflow from changes in other assets and liabilities of \$325.2 million due to timing of period end as well as PPP loans facilitated, less loans sold, of \$56.0 million.

For the year ended December 31, 2020, cash provided by operating activities was \$173.1 million, primarily due to a net income of \$213.1 million, offset by PPP loans facilitated, less loans sold, of \$420.8 million, adjusted for the add back of non-cash expenses of \$509.4 million consisting primarily of share-based compensation, transaction and loan losses, depreciation and amortization, and non-cash interest and other expenses. Whereas the increase in transaction and loan losses was largely caused by estimated losses attributable to the COVID-19 pandemic, the increase in other non-cash expenses was primarily due to the growth and expansion of our business activities. Additionally, the cash generated from operating activities increased due to a net inflow from changes in other assets and liabilities of \$79.9 million due to timing.

Cash Flows from Investing Activities

Cash flows used in investing activities primarily relate to capital expenditures to support our growth, investments in marketable debt securities, investment in privately held entity, and business acquisitions.

For the year ended December 31, 2021, cash used in investing activities was \$1.3 billion, primarily due to the net investments of marketable securities including investments from customer funds of \$1.2 billion. Additional uses of cash were as a result of business acquisitions, net of cash acquired of \$164.0 million, the purchase of bitcoin investments of \$170.0 million, the purchase of property and equipment of \$134.3 million and purchases of other investments of \$48.5 million. These were partially offset by proceeds from sales of equity investments of \$420.6 million.

For the year ended December 31, 2020, cash provided by investing activities was \$606.6 million, primarily due to the net investments of marketable securities including investments from customer funds of \$337.7 million. Additional uses of cash in investing activities were a result of purchases of property and equipment of \$138.4 million, business combinations, net of cash acquired of \$79.2 million, and other investments of \$1.3 million.

Cash Flows from Financing Activities

For the year ended December 31, 2021, cash provided by financing activities was \$2.7 billion, primarily as a result of \$2.0 billion in net proceeds from the 2031 Senior Notes and 2026 Senior Notes offerings, proceeds from issuances of common stock from the exercise of options and purchases under our employee share purchase plan of \$126.7 million, offset by payments for employee tax withholding related to vesting of restricted stock units of \$323.0 million.

For the year ended December 31, 2020, cash provided by financing activities was \$2.3 billion, primarily as a result of \$1.1 billion in net proceeds from the 2026 Convertible Notes and 2027 Convertible Notes offering, \$936.5 million in net proceeds from the 2025 Convertible Notes offering, proceeds from the First PPPLF Agreement advances of \$464.1 million, proceeds from issuances of common stock from the exercise of options and purchases under the employee stock purchase plan, net of \$162.0 million, offset by payments for employee tax withholding related to vesting of restricted stock units of \$314.0 million

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. GAAP requires us to make certain estimates and judgments that affect the amounts reported in our financial statements. We base our estimates on historical experience, anticipated future trends, and other assumptions we believe to be reasonable under the circumstances. Because these accounting policies require significant judgment, our actual results may differ materially from our estimates.

We believe accounting policies and the assumptions and estimates associated with transaction and loan losses, especially due to uncertainties associated with the COVID-19 pandemic, and business combinations have the greatest potential effect on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Transaction Losses

We are exposed to transaction losses due to chargebacks as a result of fraud or uncollectibility of transaction payments. We estimate accrued transaction losses based on available data as of the reporting date, including expectations of future chargebacks, and historical trends related to loss rates that is continuously adjusted for new information and incorporates, where applicable, reasonable and supportable forecasts about future expectations. The Company continues to revise its estimates to reflect expected chargebacks from non-delivery of goods and services as well as increased failure rates of its sellers due to the emergence of more transmissible variants of COVID-19.

Business Combinations

As a result of the acquisitions of TIDAL, completed in the second quarter of 2021, and Afterpay completed on January 31, 2022, we consider accounting for business combinations under ASC 805, *Business Combinations*, to also be a critical accounting policy and estimate as it requires management to make significant estimates and assumptions, including the valuation of intangible assets acquired, determination of fair values of liabilities assumed including pre-acquisition contingencies and valuation of contingent consideration, where applicable. Although we believe that the assumptions and estimates we have made have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

Recent Accounting Pronouncements

See “Recent Accounting Pronouncements” described in Note 1 of the Notes to our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and globally, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Equity Price Risk

Marketable Equity Investments

Our marketable equity investments are investments held in publicly traded companies and are measured using quoted prices in active markets which could result in material volatility in our net income in future periods. As of December 31, 2021, we did not have any marketable equity investments.

Non-marketable Equity Investments

Our non-marketable equity investments are investments in privately-held companies that we hold for purposes other than trading. These investments are inherently risky because there is no established market for these securities and the markets for the technologies or products these companies are developing are typically in the early stages. As such, we could lose our entire investment in these companies. Adjustments are recorded in other expense (income), net on the consolidated statements of operations and establish a new carrying value for the investment. As of December 31, 2021, the aggregate carrying value of our non-marketable equity investments included in other non-current assets was \$81.9 million. A hypothetical 10% increase or decrease in the carrying value of our non-marketable equity investments would have resulted in approximately \$8.2 million increase or decrease in the value of the investment. Adjustments are recorded in other expense (income), net on the condensed consolidated statements of operations.

Bitcoin Market Price Risk

The Company invested \$50.0 million and \$170.0 million in bitcoin in the fourth quarter of 2020 and first quarter of 2021, respectively. Bitcoin is accounted for as an indefinite lived intangible asset, and thus, is subject to impairment losses if the fair value of bitcoin decreases below the carrying value during the assessed reporting period. Impairment losses cannot be recovered for any subsequent increase in fair value until the sale of the asset. As of December 31, 2021, the fair value of the investment in bitcoin was \$371.0 million based on observable market prices resulting in \$222.1 million in unrecognized gains. The Company recorded an impairment charge of \$71.1 million in the year ended December 31, 2021 due to fluctuations in the market price of bitcoin observed during the period. A hypothetical 10% increase or decrease in the market price of bitcoin as of December 31, 2021 would have resulted in approximately \$37.1 million increase or decrease in the value of the bitcoin investment. Any decreases to the carrying value of bitcoin assets are recorded in operating expenses in the consolidated statements of operations.

Interest Rate Sensitivity

Our cash and cash equivalents, and marketable debt securities as of December 31, 2021, were held primarily in cash deposits, money market funds, U.S. government and agency securities, commercial paper, and corporate bonds. The fair value of our cash, cash equivalents, and marketable debt securities would not be significantly affected by either an increase or decrease in interest rates due mainly to the short-term nature of a majority of these instruments. Additionally, we have the ability to hold these instruments until maturity if necessary to reduce our risk. Any future borrowings incurred under our credit facility would accrue interest at a floating rate based on a formula tied to certain market rates at the time of incurrence (as described above). A hypothetical 100 basis point increase or decrease in interest rates would not have a material effect on our financial results.

Foreign Currency Risk

Most of our revenue is earned in U.S. dollars, and therefore our revenue is not subject to significant foreign currency risk. Our foreign operations are denominated in the currencies of the countries in which our operations are located, and may be subject to fluctuations due to changes in foreign currency exchange rates in the Japanese Yen, Canadian Dollar, Australian Dollar, Euro, British Pound, Chinese Yuan, Swedish Krona, Singapore Dollar, Polish Zloty, and Brazilian Real. Fluctuations

in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. A 10% increase or decrease in current exchange rates would not have a material impact on our financial results.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BLOCK, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Block, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Block, Inc. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accrued transaction losses

Description of the Matter

As discussed in Notes 1 and 11 to the consolidated financial statements, the Company is exposed to transaction losses from chargebacks, which represent fraudulent transactions, potential losses due to disputes between a seller and its customer or disputes between peer-to-peer users. The Company established a reserve for these estimated potential losses of \$55.2 million at December 31, 2021. The Company’s reserve is estimated based on available data as of the reporting date, including expectations of future chargebacks and historical trends related to loss rates.

Auditing management’s estimate of the reserve for transaction losses was challenging because management’s estimate required a high degree of judgement in evaluating historical trends related to loss rates and expectations of future chargebacks and the need for a qualitative adjustment.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over the process for determining the reserve for transaction losses. For example, we tested controls over management's review of the methodology to determine estimated losses, the completeness and accuracy of underlying loss rate data used in the estimation of potential losses from chargebacks, and the assumptions made about future chargebacks.

To test the Company's reserve for transaction losses, our audit procedures included, among others, evaluating the Company's methodology and testing the underlying data and assumptions used by management to estimate potential losses. We compared the Company's historical estimated potential losses with actual results to assess the Company's methodology to estimate potential losses. We evaluated the completeness and accuracy of the loss rate data used in the calculation of the Company's reserve for transaction losses by comparing such data to third-party data. In addition, we evaluated adjustments made by management to the Company's methodology to estimate potential losses, to reflect expectations of future chargebacks including the basis for concluding whether such adjustments were warranted. We also reviewed subsequent events, which included actual chargebacks, and considered whether they corroborated the Company's conclusion.

Business combinations

*Description of
the Matter*

As discussed in Note 8 to the consolidated financial statements, the Company completed an acquisition of TIDAL during 2021 for consideration of \$233.2 million. The Company accounted for this acquisition as a business combination.

Auditing the Company's accounting for the acquisition was complex due to the estimation uncertainty in determining the fair value of identifiable intangibles assets, which principally consisted of customer and technology assets and trade name, and liabilities assumed of \$141.0 million and \$120.5 million, respectively. The estimation uncertainty for intangible assets was primarily due to the underlying assumptions about the future performance of the acquired business which were utilized in determining the fair value of the acquired business. The assumptions used by management included forecasted financial results including revenue base, discount rate and growth rates. These assumptions were forward-looking and could be affected by future economic and market conditions. The estimation uncertainty for assumed liabilities was primarily due to pre-acquisition contingencies and the indemnification obligations for certain tax and contingency exposures.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over its accounting for the acquisition. This included testing controls over the estimation process supporting the recognition and measurement of the intangible assets and assumed liabilities, and management's review and evaluation of underlying assumptions and estimates with regards to the fair value of the intangible assets and pre-acquisition contingencies and indemnification obligations.

To test the Company's estimated fair value of intangible assets, our audit procedures included, among others, reading the underlying agreements, and involving a valuation specialist to assist us in evaluating the Company's valuation methodology and testing the significant assumptions used in the methodology. We also compared the revenue base assumptions to guideline public companies and growth rates against guideline public companies and other industry participants. We also tested the completeness and accuracy of the underlying data supporting the assumptions and estimates. To test the fair value of pre-acquisition contingencies, our audit procedures included, among others, reading the underlying agreements for indemnifiable obligations and with the support of tax professionals, evaluating the Company's pre-acquisition contingencies and indemnification obligations for tax exposures and the associated ASC 740 outcomes.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

San Francisco, California

February 24, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Block, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Block, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, Block, Inc. and subsidiaries (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of TIDAL, which is included in the 2021 consolidated financial statements of the Company and constituted less than 2% of total assets as of December 31, 2021 and 1% of total net revenue and 1% of total gross profit for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of TIDAL.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years ended December 31, 2021, and the related notes and our report dated February 24, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Francisco, California

February 24, 2022

BLOCK, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,443,669	\$ 3,158,058
Investments in short-term debt securities	869,283	695,112
Settlements receivable	1,171,612	1,024,895
Customer funds	2,830,995	2,037,832
Loans held for sale	517,940	462,665
Other current assets	687,429	383,067
Total current assets	10,520,928	7,761,629
Property and equipment, net	282,140	233,520
Goodwill	519,276	316,701
Acquired intangible assets, net	257,049	137,612
Investments in long-term debt securities	1,526,430	463,950
Operating lease right-of-use assets	449,406	456,888
Other non-current assets	370,535	499,250
Total assets	\$ 13,925,764	\$ 9,869,550
Liabilities and Stockholders' Equity		
Current liabilities:		
Customers payable	\$ 3,979,624	\$ 3,009,051
Settlements payable	254,611	239,362
Accrued expenses and other current liabilities	639,309	360,850
Operating lease liabilities, current	64,027	52,747
PPP Liquidity Facility advances	497,533	464,094
Total current liabilities	5,435,104	4,126,104
Long-term debt	4,559,208	2,586,924
Operating lease liabilities, non-current	395,017	389,662
Other non-current liabilities	222,846	85,291
Total liabilities	10,612,175	7,187,981
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, \$0.0000001 par value: 100,000,000 shares authorized at December 31, 2021 and December 31, 2020. None issued and outstanding at December 31, 2021 and December 31, 2020.	—	—
Class A common stock, \$0.0000001 par value: 1,000,000,000 shares authorized at December 31, 2021 and December 31, 2020; 403,237,209 and 390,187,079 issued and outstanding at December 31, 2021 and December 31, 2020, respectively.	—	—
Class B common stock, \$0.0000001 par value: 500,000,000 shares authorized at December 31, 2021 and December 31, 2020; 61,706,578 and 65,997,697 issued and outstanding at December 31, 2021 and December 31, 2020, respectively.	—	—
Additional paid-in capital	3,317,255	2,955,464
Accumulated other comprehensive income	(16,435)	23,328
Accumulated deficit	(27,965)	(297,223)
Total stockholders' equity attributable to common stockholders	3,272,855	2,681,569
Noncontrolling interests	40,734	—
Total stockholders' equity	3,313,589	2,681,569
Total liabilities and stockholders' equity	\$ 13,925,764	\$ 9,869,550

See accompanying notes to consolidated financial statements.

BLOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2021	2020	2019
Revenue:			
Transaction-based revenue	\$ 4,793,146	\$ 3,294,978	\$ 3,081,074
Subscription and services-based revenue	2,709,731	1,539,403	1,031,456
Hardware revenue	145,679	91,654	84,505
Bitcoin revenue	10,012,647	4,571,543	516,465
Total net revenue	<u>17,661,203</u>	<u>9,497,578</u>	<u>4,713,500</u>
Cost of revenue:			
Transaction-based costs	2,729,442	1,916,644	1,938,534
Subscription and services-based costs	495,761	228,649	238,320
Hardware costs	221,185	144,342	138,722
Bitcoin costs	9,794,992	4,474,534	508,239
Total cost of revenue	<u>13,241,380</u>	<u>6,764,169</u>	<u>2,823,815</u>
Gross profit	4,419,823	2,733,409	1,889,685
Operating expenses:			
Product development	1,399,079	885,681	674,165
Sales and marketing	1,617,189	1,109,670	625,126
General and administrative	983,326	579,203	436,878
Transaction and loan losses	187,991	177,670	126,959
Bitcoin impairment losses	71,126	—	—
Total operating expenses	<u>4,258,711</u>	<u>2,752,224</u>	<u>1,863,128</u>
Operating income (loss)	<u>161,112</u>	<u>(18,815)</u>	<u>26,557</u>
Gain on sale of asset group	—	—	(373,445)
Interest expense, net	33,124	56,943	21,516
Other expense (income), net	(29,474)	(291,725)	273
Income before income tax	<u>157,462</u>	<u>215,967</u>	<u>378,213</u>
Provision (benefit) for income taxes	(1,364)	2,862	2,767
Net income	<u>158,826</u>	<u>213,105</u>	<u>375,446</u>
Less: Net loss attributable to noncontrolling interests	(7,458)	—	—
Net income attributable to common stockholders	<u>\$ 166,284</u>	<u>\$ 213,105</u>	<u>\$ 375,446</u>
Net income per share attributable to common stockholders:			
Basic	<u>\$ 0.36</u>	<u>\$ 0.48</u>	<u>\$ 0.88</u>
Diluted	<u>\$ 0.33</u>	<u>\$ 0.44</u>	<u>\$ 0.81</u>
Weighted-average shares used to compute net income per share attributable to common stockholders:			
Basic	<u>458,432</u>	<u>443,126</u>	<u>424,999</u>
Diluted	<u>501,779</u>	<u>482,167</u>	<u>466,076</u>

See accompanying notes to consolidated financial statements.

BLOCK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Net income	\$ 158,826	\$ 213,105	\$ 375,446
Net foreign currency translation adjustments	(24,667)	20,439	1,879
Net unrealized gain on revaluation of intercompany loans	—	—	75
Net unrealized gain (loss) on marketable debt securities	(15,096)	1,260	5,728
Total comprehensive income	\$ 119,063	\$ 234,804	\$ 383,128

See accompanying notes to consolidated financial statements.

BLOCK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except for number of shares)

	Class A and B Shares	Common stock Amount	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Noncontrolling interests	Total stockholders' equity
Balance at December 31, 2018	417,048,006	\$ —	\$ 2,012,328	\$ (6,053)	\$ (885,774)	\$ —	\$ 1,120,501
Net income	—	—	—	—	375,446	—	375,446
Shares issued in connection with employee stock plans	19,097,950	—	118,550	—	—	—	118,550
Change in other comprehensive loss	—	—	—	7,682	—	—	7,682
Share-based compensation	—	—	306,201	—	—	—	306,201
Tax withholding related to vesting of restricted stock units	(3,077,807)	—	(212,264)	—	—	—	(212,264)
Issuance of common stock in conjunction with the conversion of convertible notes	127	—	3	—	—	—	3
Exercise of bond hedges in conjunction with the conversion of convertible notes	(250,763)	—	—	—	—	—	—
Recovery of common stock in connection with indemnification settlement agreement	(20,793)	—	(1,069)	—	—	—	(1,069)
Balance at December 31, 2019	432,796,720	\$ —	\$ 2,223,749	\$ 1,629	\$ (510,328)	\$ —	\$ 1,715,050
Net income	—	—	—	—	213,105	—	213,105
Shares issued in connection with employee stock plans	19,013,638	—	161,984	—	—	—	161,984
Issuance of common stock in connection with business combination	607,974	—	35,319	—	—	—	35,319
Change in other comprehensive loss	—	—	—	21,699	—	—	21,699
Share-based compensation	—	—	411,673	—	—	—	411,673
Tax withholding related to vesting of restricted stock units	(2,852,127)	—	(314,019)	—	—	—	(314,019)
Conversion feature of convertible senior notes, due 2027, net of allocated costs	—	—	109,207	—	—	—	109,207
Purchase of bond hedges in conjunction with issuance of convertible senior notes, due 2027	—	—	(104,305)	—	—	—	(104,305)
Sale of warrants in conjunction with issuance of convertible senior notes, due 2027	—	—	68,022	—	—	—	68,022
Conversion feature of convertible senior notes, due 2026, net of allocated costs	—	—	85,594	—	—	—	85,594
Purchase of bond hedges in conjunction with issuance of convertible senior notes, due 2026	—	—	(84,640)	—	—	—	(84,640)
Sale of warrants in conjunction with issuance of convertible senior notes, due 2026	—	—	64,573	—	—	—	64,573
Conversion feature of convertible senior notes, due 2025, net of allocated costs	—	—	152,258	—	—	—	152,258
Purchase of bond hedges in conjunction with issuance of convertible senior notes, due 2025	—	—	(149,200)	—	—	—	(149,200)
Sale of warrants in conjunction with issuance of convertible senior notes, due 2025	—	—	99,500	—	—	—	99,500

	Class A and B common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Noncontrolling interests	Total stockholders' equity
	Shares	Amount					
Issuance of common stock in conjunction with the conversion of convertible notes	8,853,484	—	195,749	—	—	—	195,749
Exercise of bond hedges in conjunction with the conversion of convertible notes	(2,234,913)	—	—	—	—	—	—
Balance at December 31, 2020	456,184,776	\$	2,955,464	\$	(297,223)	\$	2,681,569
Cumulative adjustment due to adoption of ASU No. 2020-06	—	—	(502,707)	—	102,974	—	(399,733)
Net income (loss)	—	—	—	—	166,284	(7,458)	158,826
Shares issued in connection with employee stock plans	11,975,907	—	126,829	—	—	—	126,829
Issuance of common stock in connection with business combination	118,443	—	28,735	—	—	—	28,735
Change in other comprehensive loss	—	—	—	(39,763)	—	—	(39,763)
Share-based compensation	—	—	623,067	—	—	—	623,067
Tax withholding related to vesting of restricted stock units	(1,403,146)	—	(323,012)	—	—	—	(323,012)
Issuance of common stock in conjunction with the conversion of convertible notes	5,514,727	—	408,879	—	—	—	408,879
Exercise of bond hedges in conjunction with the conversion of convertible notes	(7,446,920)	—	—	—	—	—	—
Noncontrolling interests in connection with business combination	—	—	—	—	—	48,192	48,192
Balance at December 31, 2021	464,943,787	\$	3,317,255	\$	(27,965)	\$	3,313,589

See accompanying notes to consolidated financial statements.

BLOCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	\$ 158,826	\$ 213,105	\$ 375,446
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	134,757	84,212	75,598
Non-cash interest and other	31,104	76,129	33,478
Loss on extinguishment of long-term debt	—	6,651	—
Non-cash lease expense	83,137	70,253	29,696
Share-based compensation	608,040	397,800	297,863
Gain on sale of asset group	—	—	(373,445)
Loss (gain) on revaluation of equity investments	(35,492)	(295,297)	12,326
Transaction and loan losses	187,991	177,670	126,959
Bitcoin impairment losses	71,126	—	—
Change in deferred income taxes	(10,435)	(8,016)	(1,376)
Changes in operating assets and liabilities:			
Settlements receivable	(346,217)	(547,484)	(326,596)
Purchases and originations of loans	(3,227,172)	(1,837,137)	(2,266,738)
Sales, principal payments, and forgiveness of loans	3,067,344	1,505,406	2,168,682
Customers payable	171,555	371,598	181,520
Settlements payable	15,249	143,528	41,697
Other assets and liabilities	(61,983)	(185,308)	(47,480)
Net cash provided by operating activities	<u>847,830</u>	<u>173,110</u>	<u>327,630</u>
Cash flows from investing activities:			
Purchase of marketable debt securities	(2,714,560)	(1,322,362)	(992,583)
Proceeds from maturities of marketable debt securities	831,019	607,134	430,888
Proceeds from sale of marketable debt securities	617,097	585,427	548,619
Purchase of marketable debt securities from customer funds	(488,851)	(642,252)	(311,499)
Proceeds from maturities of marketable debt securities from customer funds	505,501	382,887	158,055
Proceeds from sale of marketable debt securities from customer funds	35,071	51,430	17,493
Purchase of property and equipment	(134,320)	(138,402)	(62,498)
Purchase of bitcoin investments	(170,000)	(50,000)	—
Purchase of other investments	(48,510)	(1,277)	(15,250)
Proceeds from sale of equity investments	420,644	—	33,016
Proceeds from sale of asset group	—	—	309,324
Business combinations, net of cash acquired	(163,970)	(79,221)	(20,372)
Net cash provided by (used in) investing activities	<u>(1,310,879)</u>	<u>(606,636)</u>	<u>95,193</u>

See accompanying notes to consolidated financial statements.

BLOCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Cash flows from financing activities:			
Proceeds from issuance of convertible senior notes, net	—	2,116,544	—
Purchase of convertible senior note hedges	—	(338,145)	—
Proceeds from issuance of warrants	—	232,095	—
Proceeds from issuance of senior unsecured notes, net	1,971,828	—	—
Proceeds from PPP Liquidity Facility advances	681,539	464,094	—
Repayments of PPP Liquidity Facility advances	(648,100)	—	—
Proceeds from the exercise of stock options and purchases under the employee stock purchase plan	126,719	161,985	118,514
Payments for tax withholding related to vesting of restricted stock units	(323,011)	(314,019)	(212,264)
Net increase in interest-bearing deposits	59,844	—	—
Other financing activities	(9,948)	(7,359)	(5,124)
Change in customer funds, restricted from use in the Company's operations	793,163	1,361,540	342,275
Net cash provided by financing activities	<u>2,652,034</u>	<u>3,676,735</u>	<u>243,401</u>
Effect of foreign exchange rate on cash and cash equivalents	(7,066)	12,995	3,841
Net increase in cash, cash equivalents, restricted cash and customer funds	<u>2,181,919</u>	<u>3,256,204</u>	<u>670,065</u>
Cash, cash equivalents, restricted cash and customer funds, beginning of the year	4,793,171	1,536,967	866,902
Cash, cash equivalents, restricted cash and customer funds, end of the year	<u>\$ 6,975,090</u>	<u>\$ 4,793,171</u>	<u>\$ 1,536,967</u>
Reconciliation of cash, cash equivalents, restricted cash and customer funds:			
Cash and cash equivalents	\$ 4,443,669	\$ 3,158,058	\$ 1,047,118
Short-term restricted cash	18,778	30,279	38,873
Long-term restricted cash	71,702	13,526	12,715
Customer funds cash and cash equivalents	2,440,941	1,591,308	438,261
Total	6,975,090	4,793,171	1,536,967

See accompanying notes to consolidated financial statements.

BLOCK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

On December 10, 2021, Square, Inc. changed its name to Block, Inc. In conjunction with this name change, the Seller business and reportable segment was renamed “Square”. Block, Inc. (together with its subsidiaries, “Block” or the “Company”) creates tools that empower businesses, sellers and individuals to participate in the economy. Square enables sellers to accept card payments and also provides reporting and analytics, and next-day settlement. Square’s point-of-sale software and other business services help sellers manage inventory, locations, and employees; access financing; engage buyers; build a website or online store; and grow sales. Cash App is an easy way for people to store, send, receive, spend, and invest money.

On March 1, 2021, Square Financial Services, Inc. (“Square Financial Services”), a wholly-owned subsidiary of the Company, began its banking operations after its industrial loan company charter was approved by the Federal Deposit Insurance Corporation (“FDIC”) and the State of Utah. On April 30, 2021, the Company completed the acquisition of a majority ownership interest in TIDAL, a global music and entertainment platform that brings fans and artists together through unique music, content, and experiences. In the third quarter of 2021, the Company launched TBD, a bitcoin-focused business established to build an open developer platform with the goal of making it easy to create non-custodial, permissionless, and decentralized financial services. In 2019, the Company launched Spiral, a team solely focused on contributing to bitcoin open source work. The results of operations of TBD and Spiral are immaterial.

On January 31, 2022 (February 1, 2022 Australian Eastern Daylight Time), the Company completed the acquisition of Afterpay LTD (“Afterpay”), to strengthen its position to better deliver compelling financial products and services that expand access to more consumers and drive incremental revenue for merchants of all sizes. See Note 8, *Acquisitions* for further details.

Block was founded in 2009 and has offices in the United States, Canada, Japan, Australia, Ireland, the United Kingdom, Spain, Lithuania, and Norway. As of 2021, we do not designate a headquarters location as we have adopted a distributed work model.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Our consolidated financial statements include the accounts of Block, Inc. our wholly-owned subsidiaries, and entities for which we control a majority of the entity’s outstanding common stock. We record non-controlling interest in our consolidated financial statements to recognize the minority ownership interest in our consolidated subsidiaries. Non-controlling interest in the earnings and losses of consolidated subsidiaries represent the share of net income or loss allocated to the minority interest holders of our consolidated entities, which includes the non-controlling interest share of net income or loss. We have eliminated significant intercompany transactions and accounts in our consolidated financial statements.

Use of Estimates

The preparation of the Company’s consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related disclosure of contingent assets and liabilities. Actual results could differ from the Company’s estimates. To the extent that there are material differences between these estimates and actual results, the Company’s financial condition or operating results will be materially affected. The Company bases its estimates on current and past experience, to the extent that historical experience is predictive of future performance and other assumptions that the Company believes are reasonable under the circumstances. The Company evaluates these estimates on an ongoing basis.

Estimates, judgments, and assumptions in these consolidated financial statements include, but are not limited to, those related to accrued transaction losses, contingencies, valuation of loans held for sale, valuation of goodwill and acquired intangible assets, the determination of allowance for loan loss reserves for loans held for investment, pre-acquisition contingencies associated with business combinations, assessing the likelihood of adverse outcomes from claims and disputes,

accrued royalties, income and other taxes, operating and financing lease right-of-use assets and related liabilities, and share-based compensation.

While the Company's business continues to be impacted by the COVID-19 pandemic, it experienced improvements in 2021 as compared to 2020, as the majority of U.S. markets transitioned to varying states of economic recovery and reopenings. However, the emergence of new and more transmissible variants of COVID-19 such as Delta and Omicron has led to a possible resurgence of the virus, particularly in populations with low vaccination rates, and has resulted in new restrictions in certain geographies and among certain businesses. The Company continues to monitor the carrying values of its assets and liabilities based on estimates, judgments and circumstances it is aware of and consider the effects and trends of COVID-19.

The Company's estimates of accrued transaction losses and valuation of loans held for sale are based on historical experience, adjusted for market data relevant to the current economic environment including COVID-19 trends. The Company will continue to update its estimates as developments occur and additional information is obtained. See Note 5, *Fair Value of Financial Instruments*, for further details on amortized cost over fair value of the loans, and Note 11 *Other Consolidated Balance Sheet Components (Current)*, for further details on transaction losses.

Cash Flow Adjustment

Beginning in the fourth quarter of 2021, the Company adjusted its Consolidated Statement of Cash Flows to include changes in customer funds, and cash and cash equivalents associated with Customer payable as a financing activity. Previously, the changes in customer funds and customer payable were presented within operating activities in the Company's Consolidated Statements of Cash Flows. The adjustment results in the portion of customer funds that is held in cash and cash equivalents, restricted cash and customer funds to be included in the beginning and ending period totals of cash, cash equivalents, restricted cash and customer funds. The Company holds customer funds separate from its corporate funds and does not use customer funds for any corporate purposes.

Prior period amounts have been adjusted to this presentation. These changes have been concluded to be immaterial to the consolidated financial statements and have no impact on previously reported consolidated statements of operations and balance sheets. The adjusted presentation shows all changes associated with customer funds in the consolidated statements of cash flows instead of in the notes to the consolidated financial statements.

The following tables present the effects of the changes on the presentation of these cash flows to the previously reported consolidated statements of cash flows:

	Year Ended December 31, 2020		
	As Previously Reported ⁽ⁱ⁾	Adjustments	As Adjusted
Net cash provided by (used in):			
Operating activities ⁽ⁱⁱ⁾	\$ 381,603	\$ (208,493)	\$ 173,110
Investing activities	(606,636)	—	(606,636)
Financing activities ⁽ⁱⁱⁱ⁾	2,315,195	1,361,540	3,676,735
Effect of foreign exchange rate on cash and cash equivalents	12,995	—	12,995
Net increase in cash, cash equivalents, restricted cash and customer funds	2,103,157	1,153,047	3,256,204
Cash, cash equivalents, restricted cash and customer funds, beginning of the year	1,098,706	438,261	1,536,967
Cash, cash equivalents, restricted cash and customer funds, end of the year	<u>\$ 3,201,863</u>	<u>\$ 1,591,308</u>	<u>\$ 4,793,171</u>

⁽ⁱ⁾ As reported in our 2020 Form 10-K filed with the SEC on February 23, 2021.

⁽ⁱⁱ⁾ Financial statement lines impacted in operating activities were Customer funds and Customers payable.

⁽ⁱⁱⁱ⁾ Financial statement line impacted in financing activities was the addition of a new line called Change in customer funds, restricted from use in the Company's operations.

Year Ended December 31, 2019

Net cash provided by (used in):	As Previously Reported ⁽ⁱ⁾	Adjustments	As Adjusted
Operating activities ⁽ⁱⁱ⁾	\$ 465,699	\$ (138,069)	\$ 327,630
Investing activities	95,193	—	95,193
Financing activities ⁽ⁱⁱⁱ⁾	(98,874)	342,275	243,401
Effect of foreign exchange rate on cash and cash equivalents	3,841	—	3,841
Net increase in cash, cash equivalents, restricted cash and customer funds	465,859	204,206	670,065
Cash, cash equivalents, restricted cash and customer funds, beginning of the year	632,847	234,055	866,902
Cash, cash equivalents, restricted cash and customer funds, end of the year	<u>\$ 1,098,706</u>	<u>\$ 438,261</u>	<u>\$ 1,536,967</u>

⁽ⁱ⁾ As reported in our 2019 Form 10-K filed with the SEC on February 26, 2020.

⁽ⁱⁱ⁾ Financial statement lines impacted in operating activities were Customer funds and Customers payable.

⁽ⁱⁱⁱ⁾ Financial statement line impacted in financing activities was the addition of a new line called Change in customer funds, restricted from use in the Company's operations.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

Transaction-based revenue

The Company charges its sellers a transaction fee for managed payments solutions that is generally calculated as a percentage of the total transaction amount processed. The Company selectively offers custom pricing for certain sellers. The Company collects the transaction amount from the seller's customer's bank, net of acquiring interchange and assessment fees, processing fees, and bank settlement fees paid to third-party payment processors and financial institutions. The Company retains its fees and remits the net amount to the sellers.

The Company acts as the merchant of record for its sellers and works directly with payment card networks and banks so that its sellers do not need to manage the complex systems, rules, and requirements of the payments industry. The Company satisfies its performance obligations and therefore recognizes the transaction fees as revenue upon authorization of a transaction by the seller's customer's bank.

Revenue is recognized net of refunds, which arise from reversals of transactions initiated by sellers.

The transaction fees collected from sellers are recognized as revenue on a gross basis as the Company is the principal in the delivery of the managed payments solutions to the sellers. The Company has concluded it is the principal because as the merchant of record, it controls the services before delivery to the seller, it is primarily responsible for the delivery of the services to its sellers, and it has discretion in setting prices charged to sellers. The Company also has the unilateral ability to accept or reject a transaction based on criteria established by the Company. As the merchant of record, Square is liable for the costs of processing the transactions for its sellers, and records such costs within cost of revenue.

The Company also charges certain Cash App customers making peer-to-peer transactions using business accounts, or funding transactions with a credit card, a transaction fee that is generally calculated as a percentage of the total transaction amount processed. The Company collects the transaction amount from the customer's Cash App account, net of incurring interchange and assessment fees, processing fees, and bank settlement fees paid to third-party payment processors and financial institutions. The Company retains its fees and remits the net amount to the customers.

Subscription and services-based revenue

Subscription and services-based revenue is primarily comprised of revenue the Company generates from Instant Deposit and Cash Card, Square Loans (formerly known as Square Capital), website hosting and domain name registration services, TIDAL, and various other software as a service (SaaS) products. Instant Deposit is a functionality within the Cash App and the Company's managed payments solution that enables customers, including individuals and sellers, to instantly deposit funds into their bank accounts. The Company charges a per transaction fee which is recognized as revenue when customers instantly deposit funds to their bank account. The Company also offers Cash App customers the ability to use funds stored in the Cash App via a Visa prepaid card (Cash Card), for which the Company earns a per transaction fee that is recorded as revenue.

Beginning in April 2021, the Company started originating loans to customers through Square Financial Services. Prior to April 2021, the Company facilitated loans to customers through a partnership with an industrial bank. The loans are either repaid through withholding a percentage of the collections of the seller's receivables processed by the Company or a specified monthly amount. The Company generally utilizes a pre-qualification process that includes an analysis of the aggregated data of the seller's business which includes, but is not limited to, the seller's historical processing volumes, transaction count, chargebacks, growth, and length of time as a Square customer. Generally, the loans have no stated coupon rate but the seller is charged a one-time origination fee based upon their risk rating, which is derived primarily from processing activity. For some of the loans, it is the Company's intent to sell all of its rights, title, and interest of these loans to third-party investors for an upfront fee when the loans are sold. The Company records as cost of the loans, the amounts advanced to the customers or the net amounts paid to purchase the loans. Subsequently, the Company records a gain on sale of the loans to the third-party investors as revenue upon transfer of title. The Company is retained by the third-party investors to service the loans and earns a servicing fee for facilitating the repayment of these receivables through its managed payments solutions. The Company records servicing revenue as servicing is delivered. For the loans which are not immediately sold to third-party investors or for which the Company has the intent and ability to hold through maturity, interest and fees earned are recognized as revenue using the effective interest method.

The Company offers customers website hosting services for a fee that is generally billed at inception. The Company also acts as a reseller of domain names registration services for a registrar for a fee, which is also generally billed at inception. The Company considers that it satisfies its performance obligations over time and as such recognizes revenue ratably over the term of the relevant arrangements, which vary from one month to twenty four months for website hosting, and one year to ten years for domain name registration.

TIDAL primarily generates revenue from subscriptions to its customers, and such subscriptions allow access to the song library, video library, and improved sound quality. Customers can subscribe to services directly from the TIDAL website or through the Apple store, for which the Company charges a monthly fee which is recognized ratably as revenue as the service is provided.

SaaS represents software products and solutions that provide customers with access to various technologies for a fee which is recognized as revenue ratably as the service is provided. The Company's contracts with customers are generally for a term of one month and renew automatically each month. The Company invoices its customers monthly. The Company considers that it satisfies its performance obligations over time each month as it provides the SaaS services to customers and hence recognizes revenue ratably over the month.

Hardware revenue

The Company generates revenue through the sale of hardware through e-commerce and through its retail distribution channels. The Company satisfies its performance obligation upon delivery of hardware to its customers which include end user customers, distributors, and retailers. The Company allows for customer returns which are accounted for as variable consideration. The Company estimates these amounts based on historical experience and reduces revenue recognized. The Company invoices end user customers upon delivery of the products to customers, and payments from such customers are due upon invoicing. Distributors and retailers have payment terms that range from 30 to 90 days after delivery.

The Company offers hardware installment sales to customers with terms ranging from three to twenty four months. The Company allocates a portion of the consideration received from these arrangements to a financing component when it determines that a significant financing component exists. The financing component is subsequently recognized as financing revenue separate from hardware revenue, within subscription and services-based revenue, over the terms of the arrangement

with the customer. Pursuant to practical expedients afforded under ASC 606, the Company does not recognize a financing component for hardware installment sales that have a term of one year or less.

Bitcoin revenue

The Company offers its Cash App customers the ability to purchase bitcoin, a cryptocurrency denominated asset, from the Company. The Company satisfies its performance obligation and records revenue when bitcoin is transferred to the customer's account. The Company purchases bitcoin from private broker dealers or from Cash App customers and applies a marginal fee before selling it to its customers. The sale amounts received from customers are recorded as revenue on a gross basis and the associated bitcoin cost as cost of revenues, as the Company is the principal in the bitcoin sale transaction. The Company has concluded it is the principal because it controls the bitcoin before delivery to the customers, it is primarily responsible for the delivery of the bitcoin to the customers, it is exposed to risks arising from fluctuations of the market price of bitcoin before delivery to customers, and has discretion in setting prices charged to customers.

Cost of Revenue

Transaction-based costs

Transaction-based costs consist primarily of interchange and assessment fees, processing fees and bank settlement fees paid to third-party payment processors and financial institutions.

Subscription and services-based costs

Subscriptions and services-based costs consists of costs associated with Cash Card, Instant Deposit, and TIDAL costs. Prior to 2020, subscription and services-based costs consisted primarily of Caviar-related costs. The Caviar business was sold in the fourth quarter of 2019.

Hardware costs

Hardware costs consist of all product costs associated with contactless and chip readers, chip card readers, Square Terminal, Square Stand, Square Register, and third-party peripherals. Product costs consist of third-party manufacturing-related overhead and personnel costs, certain royalties, packaging, and fulfillment costs.

Bitcoin costs

Bitcoin cost of revenue comprises of the amounts the Company pays to purchase bitcoin, which will fluctuate in line with the price of bitcoin in the market.

Other costs

Generally, other costs such as employee costs, rent, and occupancy charges are not allocated to cost of revenues and are reflected in operating expenses and are not material.

Sales and Marketing Expenses

Advertising costs are expensed as incurred and included in sales and marketing expense in the consolidated statements of operations. Total advertising costs for the years ended December 31, 2021, 2020, and 2019 were \$435.8 million, \$224.7 million, and \$142.7 million, respectively. In addition, services, incentives, and other costs to customers that are not directly related to a revenue generating transaction are recorded as sales and marketing expenses, as the Company considers these to be marketing costs to encourage the usage of Cash App. These expenses include, but are not limited to, Cash App peer-to-peer processing costs and related transaction losses, card issuance costs, customer referral bonuses, and promotional giveaways, and were \$778.3 million, \$635.3 million, and \$279.7 million, for the years ended December 31, 2021, 2020, and 2019, respectively.

Share-based Compensation

Share-based compensation expense relates to stock options, restricted stock awards (RSAs), restricted stock units (RSUs), and purchases under the Company's 2015 Employee Stock Purchase Plan (ESPP) which is measured based on the grant-date fair value. The fair value of RSAs and RSUs is determined by the closing price of the Company's common stock on each grant date. The fair value of stock options and ESPP shares granted to employees is estimated on the date of grant using the Black-Scholes-Merton option valuation model. This share-based compensation expense valuation model requires the Company to make assumptions and judgments regarding the variables used in the calculation. These variables include the expected term (weighted average period of time that the options granted are expected to be outstanding), the expected volatility of the Company's stock, expected risk-free interest rate and expected dividends. The Company uses the simplified calculation of expected term, defined as an average of the vesting term and the contractual term to maturity. Expected volatility is based on a weighted average of the historical volatilities of the Company's common stock along with several entities with characteristics similar to those of the Company. In May 2020, the Company began using its own volatility, as the Company uses its own historical stock price information, such that a peer group is no longer considered necessary. The expected risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. Generally, share-based compensation expense is recorded on a straight-line basis over the requisite service period. The Company accounts for forfeitures as they occur.

Interest Income and Expense, net

Interest income consists of interest income from the Company's investment in marketable debt securities and interest expense relating to the Company's long-term debt. Interest income for the years ended December 31, 2021, 2020, and 2019 were \$25.0 million, \$18.3 million, and \$23.4 million, respectively. Interest expense for the years ended December 31, 2021, 2020, and 2019 were \$58.1 million, \$75.2 million, and \$44.9 million, respectively.

Income and Other Taxes

The Company reports income taxes under the asset and liability approach. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the enacted tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized. The Company considers historical information, tax planning strategies, the expected timing of the reversal of existing temporary differences, and may rely on financial projections to support its position on the recoverability of deferred tax assets. The Company's judgment regarding future profitability contains significant assumptions and estimates of future operations. If such assumptions were to differ significantly from actual future results of operations, it may have a material impact on the Company's ability to realize its deferred tax assets. At the end of each period, the Company assesses the ability to realize the deferred tax assets. If it is more likely than not that the Company will not realize the deferred tax assets, then the Company establishes a valuation allowance for all or a portion of the deferred tax assets.

The Company recognizes the effect of uncertain income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to uncertain tax positions in the provision for income tax expense on the consolidated statements of operations.

Cash and Cash Equivalents and Restricted Cash and Customer Funds

Cash and Cash Equivalents:

The Company considers all highly liquid investments, including money market funds, with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Cash:

Restricted cash represents pledged cash deposits in savings accounts at the financial institutions that process the Company's sellers' payment transactions and collateral pursuant to various agreements with banks relating to the Company's loan products. The Company uses the restricted cash to secure letters of credit with the financial institution to provide collateral for cash flow timing differences in the processing of payments. The Company records amounts as a current asset on the consolidated balance sheets if the restriction expires in less than 12 months, or as a non-current asset if the restriction is 12 months or longer. If there is no minimum time frame during which the cash must remain restricted, the nature of the transactions related to the restriction determine the classification. Additionally, this balance includes certain amounts held as collateral pursuant to multi-year lease agreements that we expect to become unrestricted within the next year, as discussed in the paragraph below. As of December 31, 2021 and 2020, restricted cash for these purposes was \$18.8 million and \$30.3 million, respectively.

As of December 31, 2021, the remaining restricted cash of \$71.7 million is primarily related to collateral as required by the FDIC for Square Financial Services. As of December 31, 2020, the remaining restricted cash of \$13.5 million is primarily related to cash held as collateral pursuant to multi-year lease agreements (Note 18). The Company has recorded these amounts as non-current assets on the consolidated balance sheets as the terms of the related leases extend beyond one year, and the requirement by the FDIC specifies a time frame of 12 months or longer during which the cash must remain restricted.

Customer funds:

Customer funds represent customers' stored balances that customers would later use to send money or make payments, or customers cash in transit. Under the terms of service associated with these funds, the Company is restricted from using the funds from use in the Company's operations. The Company invests a portion of these stored balances in short-term marketable debt securities (Note 4). The Company determines the appropriate classification of the investments in marketable debt securities within customer funds at the time of purchase and reevaluates such designation at each balance sheet date.

Concentration of Credit Risk

For the years ended December 31, 2021, 2020 and 2019, the Company had no customer that accounted for greater than 10% of total net revenue.

The Company had two third-party payment processors that represented approximately 52% and 30% of settlements receivable as of December 31, 2021. As of December 31, 2020, there were two parties that represented approximately 59% and 27% of settlements receivable. All other third-party processors were insignificant.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, marketable debt securities, settlements receivable, customer funds, loans held for sale, and loans held for investment. The associated risk of concentration for cash and cash equivalents and restricted cash is mitigated by banking with creditworthy institutions. At certain times, amounts on deposit exceed federal deposit insurance limits. The associated risk of concentration for marketable debt securities is mitigated by holding a diversified portfolio of highly rated investments. Settlements receivable are amounts due from well-established payment processing companies and normally take one or two business days to settle which mitigates the associated risk of concentration. The associated risk of concentration for loans held for sale is partially mitigated by credit evaluations that are performed prior to facilitating the offering of loans and ongoing performance monitoring of the Company's loan customers. The risk associated with the PPP loans is considered low due to government guarantees on those loans.

Investments in marketable debt securities

The Company's short-term and long-term investments include marketable debt securities such as government and agency securities, corporate bonds, commercial paper and municipal securities. The Company determines the appropriate classification of its investments in marketable debt securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its marketable debt securities as available-for-sale and carries these investments at fair value, reporting the unrealized gains and losses, net of taxes, as a component of stockholders' equity. The U.S. government and U.S. agency securities are either explicitly or implicitly guaranteed by the U.S. government and are highly rated by major rating agencies. The corporate bonds are issued by highly rated entities. The foreign government securities are issued by highly rated international entities. The Company has the ability and intent to hold these investments with unrealized losses for a reasonable period of time sufficient for the recovery of their amortized cost bases, which may be at maturity. The Company determines any realized gains or losses on the sale of marketable debt securities on a specific identification method, and records such gains and losses as a component of other expense (income), net.

Investments in equity securities

The Company holds marketable and non-marketable equity investments, over which the Company does not have a controlling interest or significant influence. Marketable equity investments are measured using quoted prices in active markets with changes recorded in other expense (income), net on the consolidated statements of operations. Non-marketable equity investments have no readily determinable fair values and are measured using the measurement alternative, which is defined as cost, less impairment, adjusted for observable price changes from orderly transactions for identical or similar investments of the same issuer. Adjustments are recorded in other expense (income), net on the consolidated statements of operations.

Non-marketable equity investments are valued using significant unobservable inputs or data in an inactive market and the valuation requires our judgment due to the absence of market prices and inherent lack of liquidity. The carrying value for these investments is not adjusted if there are no observable transactions for identical or similar investments of the same issuer or if there are no identified events or changes in circumstances that may indicate impairment. The Company will adjust for changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issue. Valuations of non-marketable equity investments are inherently complex due to the lack of readily available market data. In addition, the determination of whether an orderly transaction is for an identical or similar investment requires significant management judgment, including understanding the differences in the rights and obligations of the investments and the extent to which those differences would affect the fair values of those investments.

The Company assesses the impairment of its non-marketable equity investments on a quarterly basis. The impairment analysis encompasses an assessment of the severity and duration of the impairment and a qualitative and quantitative analysis of other key factors including the investee's financial metrics, market acceptance of the investee's product or technology, other competitive products or technology in the market, general market conditions, and the rate at which the investee is using its cash. If the investment is considered to be impaired, the Company will record an impairment in other expense (income), net on the consolidated statements of operations and establish a new carrying value for the investment.

Fair Value of Financial Instruments

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value accounting establishes a three-level hierarchy priority for disclosure of assets and liabilities recorded at fair value. The ordering of priority reflects the degree to which objective prices in external active markets are available to measure fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Customer Loans

Prior to April 2021, the Company purchased loans from an industrial bank partner. In April 2021, the Company began originating loans through Square Financial Services. The Company classifies customer loans that the Company has the intent to sell all of its rights, title, and interest in these loans to third-party investors as loans held for sale, as there is an available market for such loans. The Company classifies customer loans retained on its balance sheet that the Company has both the intent and ability to hold for the foreseeable future, or until maturity or payoff, as loans held for investment.

Loans Held for Sale:

Loans held for sale are recorded at the lower of amortized cost or fair value determined on an individual loan basis. To determine the fair value the Company utilizes discounted cash flow valuation modeling, taking into account the probability of default and estimated timing and amounts of periodic repayments. In estimating the expected timing and amounts of the future periodic repayments for the loans outstanding, the Company considered other relevant market data, including the impact of the COVID-19 pandemic. With respect to PPP loans, the Company also considers the impact of government guarantees and loan forgiveness on the timing and amounts of future cash flows. The Company recognizes a charge within transaction and loan losses in the consolidated statement of operations whenever the amortized cost of a loan exceeds its fair value, with such charges being reversed for subsequent increases in fair value, but only to the extent that such reversals do not result in the amortized cost of a loan exceeding its fair value. A loan that is initially designated as held for sale may be reclassified to held for investment if and when the Company's intent for that loan changes. For the year ended December 31, 2021, \$224.8 million have been reclassified from loans held for sale to loans held for investment. Upon origination, the Company's loans are designated as available for sale. The majority of loans are subsequently sold. Loans that are not sold within one to two business days from origination are reclassified as held for investment.

Loans Held for Investment:

Loans held for investment are recorded at amortized cost, less an allowance for potential uncollectible amounts. Amortized cost basis represents principal amounts outstanding, net of unearned income, unamortized deferred fees and costs on originated loans, premiums or discounts on purchased loans and charge-offs. The Company's intent and ability to designate loans as held for investment in the future may change based on changes in business strategies, the economic environment, and market conditions.

The Company calculates an allowance for losses on the loans held for investment portfolio in accordance with ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The Company assesses impairment of its financial instruments based on current estimates of expected credit losses over the contractual term of its loans held for investment portfolio as of each balance sheet date. The Company determines the allowance for loan losses using both quantitative and qualitative methods and considers all available information relevant to assessing collectability. This includes but is not limited to: historical loss and recovery experience, recent and historical trends in delinquencies, past-due loans and charge-offs, borrower behavior and repayment speed, underwriting and collection management changes, changes in the legal and regulatory environment, changes in risk and underwriting standards, current and historical macroeconomic conditions such as changes in unemployment and GDP, and various other factors that may affect the sellers' ability to make future payments.

Settlements Receivable

Settlements receivable represents amounts due from third-party payment processors for customer transactions. Settlements receivable are typically received within one or two business days of the transaction date. No valuation allowances have been established, as funds are due from large, well-established financial institutions with no historical collections issue.

Inventory

Inventory is comprised of contactless and chip readers, chip card readers, Square Stand, Square Register, Square Terminal and third-party peripherals, as well as component parts that are used to manufacture these products. Inventory is stated at the lower of cost (generally on a first-in, first-out basis) or net realizable value. Inventory that is obsolete or in excess of forecasted usage is written down to its net realizable value based on the estimated selling prices in the ordinary course of business. The Company's inventory is held at third party warehouses and contract manufacturer premises.

Deferred Revenue

Deferred revenue is primarily comprised of payments for website hosting and domain name registration received from customers at inception of the arrangements prior to the services being rendered.

Investments in bitcoin

Bitcoin is a cryptocurrency that is considered to be an indefinite lived intangible asset because bitcoin lacks physical form and there is no limit to its useful life. Accordingly, bitcoin is not subject to amortization but is tested for impairment on a daily basis to assess if it is more likely than not that it is impaired. The Company has concluded that because bitcoin is traded in an active market where there are observable prices, a decline in the quoted price below cost is generally viewed as an impairment indicator, in which case the fair value is used to assess whether an impairment loss should be recorded. If the fair value of bitcoin decreases below the carrying value during the assessed period an impairment charge is recognized at that time. After an impairment loss is recognized, the adjusted carrying amount of bitcoin becomes its new accounting basis. A subsequent reversal of a previously recognized impairment loss is prohibited until the sale of the asset.

Property and Equipment

Property and equipment are recorded at historical cost less accumulated depreciation, which is computed on a straight-line basis over the asset's estimated useful life. The estimated useful lives of property and equipment are described below:

Property and Equipment	Useful Life
Capitalized software	18 months
Computer and data center equipment	Three years
Furniture and fixtures	Seven years
Leasehold improvements	Lesser of ten years or remaining lease term

Capitalized Software

The Company capitalizes certain costs incurred in developing internal-use software when capitalization requirements have been met. Costs prior to meeting the capitalization requirements are expensed as incurred. Capitalized costs are included in property and equipment, net, and amortized on a straight-lined basis over the estimated useful life of the software and included in product development costs on the consolidated statements of operations. The Company capitalized \$39.2 million and \$42.0 million of internally developed software during the years ended December 31, 2021 and 2020, respectively, and recognized \$33.4 million, \$19.8 million and \$18.9 million of amortization expense during the years ended December 31, 2021, 2020 and 2019, respectively.

Leases

The Company leases office space and equipment under non-cancellable finance and operating leases with various expiration dates.

The Company adopted Accounting Standards Codification (ASC) 842, *Leases* (ASC 842) on January 1, 2019, and elected the optional transition method to apply the transition provisions from the effective date of adoption, which requires the Company to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances. Pursuant to the practical expedients, the Company elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or, (iii) initial direct costs for any existing leases. The Company elected to apply the short-term lease measurement and recognition exemption to its leases where applicable. Operating lease right-of-use assets and operating lease liabilities are recognized at the present value of the future lease payments, generally for the base noncancellable lease term, at the lease commencement date for each lease. The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate because the interest rate implicit in most of the Company's leases is not readily determinable. The Company's incremental borrowing rate is estimated to approximate the interest rate that the Company would pay to borrow on a collateralized basis with similar terms and payments as the lease, and in economic environments where the leased asset is located. Operating lease right-of-use assets also include any prepaid lease payments and lease incentives. The Company's lease agreements generally contain lease and non-lease components. Non-lease components, which primarily include payments for maintenance and utilities, are combined with lease payments and accounted for as a single lease component. The Company includes the fixed non-lease components in the determination of the right-of-use assets and operating lease liabilities. Variable lease payments are not included in the calculation of the right-of-use asset and lease liability, and they are recognized as lease expense is incurred. Variable lease payments predominantly relate to variable operating expenses, taxes, parking, and electricity. The Company records the amortization of the right of use asset and the accretion of lease liability as a component of rent expense in the consolidated statement of operations. The accounting for finance leases remained substantially unchanged.

When lease agreements provide allowances for leasehold improvements, the Company assesses whether it is the owner of the leasehold improvements for accounting purposes. When the Company concludes that it is the owner, it capitalizes the leasehold improvement assets and recognizes the related depreciation expense on a straight-line basis over the lesser of the lease term or the estimated useful life of the asset. Additionally, the Company recognizes the amounts of allowances to be received from the lessor as a reduction of the lease liability and the associated right of use asset. When the Company concludes that it is not the owner, the payments that the Company makes towards the leasehold improvements are accounted as a component of the lease payments.

The Company records a liability for the estimated fair value for asset retirement obligations (ARO) associated with its leases, with an offsetting asset. In the determination of the fair value of AROs, the Company uses various assumptions and judgments, including such factors as the existence of a legal obligation, estimated amounts and timing of settlements, and discount rates. The liability is subsequently accreted while the asset is depreciated. As of December 31, 2021, the Company had a liability for AROs of \$3.8 million and an associated asset, net of depreciation, of \$0.7 million.

Business Combinations

The purchase price of an acquisition is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition dates. The excess of total consideration over the fair values of the assets acquired and the liabilities assumed is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded on the consolidated statements of operations.

Long-Lived Assets, including Goodwill and Acquired Intangibles

The Company evaluates the recoverability of property and equipment and finite lived intangible assets for impairment whenever events or circumstances indicate that the carrying amounts of such assets may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. For the periods presented, the Company recorded no impairment charges.

The Company performs a goodwill impairment test annually on December 31 and more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the reporting unit's fair value. The Company first assesses qualitative factors to determine whether events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount and determine whether further action is needed. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. For the periods presented, the Company had recorded no impairment charges.

Acquired intangibles consist of acquired technology and customer relationships associated with various acquisitions. Acquired technology is amortized over its estimated useful life on a straight-line basis within cost of revenue. Customer relationships acquired are amortized on a straight-line basis over their estimated useful lives within operating expenses. The Company evaluates the remaining estimated useful life of its intangible assets being amortized on an ongoing basis to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Customers Payable

Customers payable represents the transaction amounts, less revenue earned by the Company, owed to sellers or Cash App customers. The payable amount comprises amounts owed to customers due to timing differences as the Company typically settles within one business day, amounts held by the Company in accordance with its risk management policies, and amounts held for customers who have not yet linked a bank account. This balance also includes the Company's liability for customer funds held on deposit in the Cash App.

Accrued Transaction Losses

The Company is exposed to potential credit losses related to transactions processed by sellers that are subsequently subject to chargebacks when the Company is unable to collect from the sellers primarily due to insolvency, disputes between a seller and their customer, or due to fraudulent transactions. Accrued transaction losses also include estimated losses on Cash App activity related to peer-to-peer payments sent from a credit card, Cash for Business, and Cash Card. Generally, the Company estimates the potential loss rates based on historical experience that is continuously adjusted for new information and incorporates, where applicable, reasonable and supportable forecasts about future expectations. The Company also considers other relevant market data in developing such estimates and assumptions, including the impact of the COVID-19 pandemic. Additions to the reserve are reflected in current operating results, while realized losses are offset against the reserve. These amounts are classified within transaction and loan losses on the consolidated statements of operations, except for the amounts associated with the peer-to-peer service offered to Cash App customers for free that are classified within sales and marketing expenses.

Segments

Effective June 30, 2020, the Company changed its operating segments to reflect the manner in which the Company's Chief Operating Decision Maker ("CODM") reviews and assesses performance. The Company has two reportable segments, which are Square (formerly Seller) and Cash App. Square includes managed payment services, software solutions, hardware and financial services products offered to sellers, while Cash App includes financial tools available to individuals such as P2P (peer-to-peer) payments, Cash Card transactions, bitcoin and stock investing that enable customers to easily send, spend, and store money. Products and services that are not assigned to a specific reportable segment including TIDAL, TBD, and Spiral are aggregated and presented within a general corporate and other category, as their results of operations are immaterial.

Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, but only at the beginning of the fiscal year. The Company early adopted the new guidance on January 1, 2021 using the modified retrospective approach and recorded a cumulative effect upon adoption of \$103.0 million as a reduction to accumulated deficit and a reduction to other paid in capital of \$502.7 million related to amounts attributable to conversion options that had previously been recorded in equity. Additionally, the Company recorded an increase to its convertible notes balance by an aggregate amount of \$399.7 million as a result of the reversal of the separation of the convertible debt between debt and equity. The adoption of this standard also significantly decreased the amount of non-cash interest expense to be recognized in future periods as a result of eliminating the discount associated with the equity component. There was no impact to the Company's statements of cash flows as the result of the adoption of ASU No. 2020-06.

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements ("Codification")*. The update provides incremental improvements on various topics in the Codification to provide clarification, correct errors in, and to provide simplification on a variety of topics. Among other items, the guidance includes presentation disclosures for the amount of income tax expense or benefit related to other comprehensive income. The amendments are effective for public entities in fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted this guidance effective January 1, 2021 and has applied the guidance prospectively. The adoption of this guidance did not have a material impact on the Company's financial statements and related disclosures.

Recently issued accounting pronouncements not yet adopted

In July 2021, the FASB issued ASU No. 2021-05 ("ASU 2021-05") "*Lease (Topic 842): Lessors - Certain Leases with Variable Lease Payments*" which amends the lease classification requirements for lessors with certain leases containing variable payments. A lessor should classify and account for a lease with variable lease payments that do not depend on an index or a rate as an operating lease if both of the following criteria are met: 1) the lease would have been classified as a sales-type lease or a direct financing lease; and 2) the lessor would have otherwise recognized a day-one loss. The amendments in ASU 2021-05 are effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect the adoption to have a material impact on the Company's financial statements.

In May 2021, the FASB issued ASU No. 2021-04 ("ASU 2021-04") "*Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation— Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*" which provides guidance on modifications or exchanges of a freestanding equity-classified written call option that is not within the scope of another Topic. An entity should treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as an exchange of the original instrument for a new instrument, and provides further guidance on measuring the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. ASU 2021-04 also provides guidance on the recognition of the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange on the basis of the substance of the transaction, in the same manner as if cash had been paid as consideration. The amendments are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption to have a material impact on the Company's financial statements.

In October 2021, the FASB issued ASU No 2021-08 ("ASU 2021-08") "*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*" which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. Under current GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. The amendments in ASU 2021-08 will result in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. The amendments in ASU 2021-08 are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance.

NOTE 2 - REVENUE

The following table presents the Company's revenue disaggregated by revenue source (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Revenue from Contracts with Customers:			
Transaction-based revenue	\$ 4,793,146	\$ 3,294,978	\$ 3,081,074
Subscription and services-based revenue	2,445,811	1,447,188	883,922
Hardware revenue	145,679	91,654	84,505
Bitcoin revenue	10,012,647	4,571,543	516,465
Revenue from other sources:			
Subscription and services-based revenue	263,920	92,215	147,534
Total net revenue	\$ 17,661,203	\$ 9,497,578	\$ 4,713,500

NOTE 3 - INVESTMENTS IN DEBT SECURITIES

The Company's short-term and long-term investments as of December 31, 2021 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	\$ 73,986	\$ 150	\$ (8)	\$ 74,128
Corporate bonds	293,460	128	(269)	293,319
Commercial paper	36,088	—	—	36,088
Municipal securities	5,543	5	—	5,548
Certificates of deposit	9,200	—	—	9,200
U.S. government securities	430,992	106	(255)	430,843
Foreign government securities	20,256	19	(118)	20,157
Total	<u>\$ 869,525</u>	<u>\$ 408</u>	<u>\$ (650)</u>	<u>\$ 869,283</u>
Long-term debt securities:				
U.S. agency securities	\$ 154,454	\$ 26	\$ (1,160)	\$ 153,320
Corporate bonds	667,699	80	(4,572)	663,207
Municipal securities	22,541	2	(126)	22,417
U.S. government securities	678,553	3	(4,080)	674,476
Foreign government securities	13,084	—	(74)	13,010
Total	<u>\$ 1,536,331</u>	<u>\$ 111</u>	<u>\$ (10,012)</u>	<u>\$ 1,526,430</u>

The Company's short-term and long-term investments as of December 31, 2020 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	\$ 153,386	\$ 782	\$ (164)	\$ 154,004
Corporate bonds	76,957	256	(14)	77,199
Commercial paper	4,999	—	—	4,999
Municipal securities	10,377	57	(3)	10,431
U.S. government securities	404,194	1,244	(4)	405,434
Foreign government securities	42,988	139	(82)	43,045
Total	<u>\$ 692,901</u>	<u>\$ 2,478</u>	<u>\$ (267)</u>	<u>\$ 695,112</u>
Long-term debt securities:				
U.S. agency securities	\$ 168,762	\$ 519	\$ (3)	\$ 169,278
Corporate bonds	174,655	1,401	(42)	176,014
Municipal securities	1,045	15	—	1,060
U.S. government securities	91,642	433	(2)	92,073
Foreign government securities	25,351	184	(10)	25,525
Total	<u>\$ 461,455</u>	<u>\$ 2,552</u>	<u>\$ (57)</u>	<u>\$ 463,950</u>

The amortized cost of investments classified as cash equivalents approximated the fair value due to the short-term nature of the investments.

The Company's gross unrealized losses and fair values for those investments that were in an unrealized loss position as of December 31, 2021 and 2020, aggregated by investment category and the length of time that individual securities have been in a continuous loss position are as follows (in thousands):

	December 31, 2021					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Short-term debt securities:						
U.S. agency securities	\$ 26,749	\$ (8)	\$ —	\$ —	\$ 26,749	\$ (8)
Corporate bonds	241,792	(269)	311	—	242,103	(269)
U.S. government securities	347,380	(255)	—	—	347,380	(255)
Foreign government securities	12,734	(118)	—	—	12,734	(118)
Total	<u>\$ 628,655</u>	<u>\$ (650)</u>	<u>\$ 311</u>	<u>\$ —</u>	<u>\$ 628,966</u>	<u>\$ (650)</u>
Long-term debt securities:						
U.S. agency securities	\$ 151,472	\$ (1,160)	\$ —	\$ —	\$ 151,472	\$ (1,160)
Corporate bonds	627,467	(4,572)	—	—	627,467	(4,572)
Municipal securities	18,616	(126)	—	—	18,616	(126)
U.S. government securities	639,473	(4,080)	—	—	639,473	(4,080)
Foreign government securities	13,010	(74)	—	—	13,010	(74)
Total	<u>\$ 1,450,038</u>	<u>\$ (10,012)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,450,038</u>	<u>\$ (10,012)</u>
	December 31, 2020					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Short-term debt securities:						
U.S. agency securities	\$ 41,711	\$ (162)	\$ 2,505	\$ (2)	\$ 44,216	\$ (164)
Corporate bonds	15,255	(14)	—	—	15,255	(14)
Municipal securities	2,566	(3)	—	—	2,566	(3)
U.S. government securities	45,970	(4)	—	—	45,970	(4)
Foreign government securities	21,341	(82)	—	—	21,341	(82)
Total	<u>\$ 126,843</u>	<u>\$ (265)</u>	<u>\$ 2,505</u>	<u>\$ (2)</u>	<u>\$ 129,348</u>	<u>\$ (267)</u>
Long-term debt securities:						
U.S. agency securities	\$ 1,406	\$ (3)	\$ —	\$ —	\$ 1,406	\$ (3)
Corporate bonds	28,189	(42)	—	—	28,189	(42)
U.S. government securities	8,658	(2)	—	—	8,658	(2)
Foreign government securities	10,929	(10)	—	—	10,929	(10)
Total	<u>\$ 49,182</u>	<u>\$ (57)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 49,182</u>	<u>\$ (57)</u>

The Company does not intend to sell nor anticipate that it will be required to sell the securities before recovery of the amortized cost basis. Unrealized losses related to available for sale debt securities were determined not to be due to credit related losses, therefore, an allowance for credit losses is not required.

The contractual maturities of the Company's short-term and long-term investments as of December 31, 2021 are as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	\$ 869,525	\$ 869,283
Due in one to five years	1,536,331	1,526,430
Total	\$ 2,405,856	\$ 2,395,713

NOTE 4 - CUSTOMER FUNDS

The following table presents the assets underlying customer funds (in thousands):

	December 31, 2021	December 31, 2020
Cash	\$ 242,243	\$ 145,577
Customer funds in transit	—	262,562
Cash equivalents:		
Money market funds	2,126,579	777,193
Reverse repurchase agreement (i)	72,119	246,880
U.S. agency securities	—	47,300
U.S. government securities	—	111,796
Short-term debt securities:		
U.S. agency securities	29,994	113,178
U.S. government securities	360,060	333,346
Total	\$ 2,830,995	\$ 2,037,832

(i) The Company has accounted for the reverse repurchase agreement with a third party as an overnight lending arrangement, collateralized by the securities subject to the repurchase agreement. The Company classifies the amounts due from the counterparty as cash equivalents due to the short term nature.

The Company invests customer funds in short-term debt securities, as follows as of December 31, 2021 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	\$ 30,002	\$ —	\$ (8)	\$ 29,994
U.S. government securities	360,251	—	(191)	360,060
Total	\$ 390,253	\$ —	\$ (199)	\$ 390,054

The Company invests customer funds in short-term debt securities, as follows as of December 31, 2020 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	\$ 113,156	\$ 22	\$ —	\$ 113,178
U.S. government securities	333,323	28	(5)	333,346
Total	\$ 446,479	\$ 50	\$ (5)	\$ 446,524

The amortized cost of investments classified as cash equivalents approximated the fair value due to the short-term nature of the investments.

The gross unrealized losses and fair values for those investments that were in an unrealized loss position as of December 31, 2021 and 2020, aggregated by investment category and the length of time that individual securities have been in a continuous loss position are as follows (in thousands):

	December 31, 2021					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Short-term debt securities:						
U.S. agency securities	\$ 29,994	\$ (7)	\$ —	\$ —	\$ 29,994	\$ (7)
U.S. government securities	360,060	(191)	—	—	360,060	(191)
Total	<u>\$ 390,054</u>	<u>\$ (198)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 390,054</u>	<u>\$ (198)</u>

	December 31, 2020					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Short-term debt securities:						
U.S. government securities	\$ 73,609	\$ (5)	\$ —	\$ —	\$ 73,609	\$ (5)
Total	<u>\$ 73,609</u>	<u>\$ (5)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 73,609</u>	<u>\$ (5)</u>

The Company does not have any available for sale debt securities for which the Company has recorded credit related losses.

The contractual maturities of the Company's investments within customer funds as of December 31, 2021 are as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	\$ 390,253	\$ 390,054
Due in one to five years	—	—
Total	<u>\$ 390,253</u>	<u>\$ 390,054</u>

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures its cash equivalents, customer funds, short-term and long-term marketable debt securities, and marketable equity investment at fair value. The Company classifies these investments within Level 1 or Level 2 of the fair value hierarchy because the Company values these investments using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

The Company's financial assets and liabilities that are measured at fair value on a recurring basis are classified as follows (in thousands):

	December 31, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash Equivalents:						
Money market funds	\$2,344,768	\$ —	\$ —	\$1,694,736	\$ —	\$ —
U.S. agency securities	—	22,999	—	—	41,186	—
Certificates of deposit	—	4,983	—	—	—	—
Corporate bonds	—	790	—	—	—	—
U.S. government securities	—	—	—	15,000	—	—
Customer funds:						
Money market funds	2,126,579	—	—	777,193	—	—
Reverse repurchase agreement	72,119	—	—	246,880	—	—
U.S. agency securities	—	29,994	—	—	160,478	—
U.S. government securities	360,060	—	—	445,142	—	—
Short-term debt securities:						
U.S. agency securities	—	74,128	—	—	154,004	—
Certificates of deposit	—	9,200	—	—	—	—
Corporate bonds	—	293,319	—	—	77,199	—
Commercial paper	—	36,088	—	—	4,999	—
Municipal securities	—	5,548	—	—	10,431	—
U.S. government securities	430,843	—	—	405,434	—	—
Foreign government securities	—	20,157	—	—	43,045	—
Long-term debt securities:						
U.S. agency securities	—	153,320	—	—	169,278	—
Corporate bonds	—	663,207	—	—	176,014	—
Municipal securities	—	22,417	—	—	1,060	—
U.S. government securities	674,476	—	—	92,073	—	—
Foreign government securities	—	13,010	—	—	25,525	—
Other:						
Investment in marketable equity security	—	—	—	376,258	—	—
Total	<u>\$6,008,845</u>	<u>\$1,349,160</u>	<u>\$ —</u>	<u>\$4,052,716</u>	<u>\$ 863,219</u>	<u>\$ —</u>

The carrying amounts of certain financial instruments, including settlements receivable, loans held for investment, accounts payable, customers payable, accrued expenses and settlements payable, approximate their fair values due to their short-term nature.

The Company estimates the fair value of its convertible and senior notes based on their last actively traded prices (Level 1) or market observable inputs (Level 2). The estimated fair value and carrying value of the convertible and senior notes were as follows (in thousands):

	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
2031 Senior Notes	\$ 986,774	\$ 1,018,113	\$ —	\$ —
2026 Senior Notes	987,626	994,579	—	—
2027 Convertible Notes	567,208	614,286	458,496	644,000
2026 Convertible Notes	567,621	595,548	482,204	638,250
2025 Convertible Notes	990,361	1,477,302	858,332	1,912,440
2023 Convertible Notes	459,618	958,927	780,046	2,417,820
2022 Convertible Notes	455	3,192	7,846	80,731
Total	<u>\$ 4,559,663</u>	<u>\$ 5,661,947</u>	<u>\$ 2,586,924</u>	<u>\$ 5,693,241</u>

The estimated fair value and carrying value of loans held for sale and loans held for investment is as follows (in thousands):

	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value (Level 3)	Carrying Value	Fair Value (Level 3)
Loans held for sale	\$ 517,940	\$ 574,982	\$ 462,665	\$ 467,805
Loans held for investment	91,447	95,746	—	—
Total	<u>\$ 609,387</u>	<u>\$ 670,728</u>	<u>\$ 462,665</u>	<u>\$ 467,805</u>

As of December 31, 2021, \$364.8 million of the carrying value of loans held for sale was attributable to loans under the Paycheck Protection Program ("PPP"). The PPP was intended to provide relief to eligible businesses impacted by COVID-19, and to incentivize businesses to keep their workers on the payroll. These loans are guaranteed by the U.S. government and are eligible for forgiveness if the borrowers meet certain criteria. As the loans under the PPP qualify for forgiveness if certain criteria are met or are guaranteed by the U.S. government through the Small Business Administration ("SBA"), the related credit losses as of December 31, 2021 were immaterial. As of December 31, 2021, we had facilitated the issuance of \$1.5 billion of loans in the aggregate under the program, of which we had sold \$399.1 million to an investor. As of December 31, 2021, \$725.9 million in PPP loans held for sale have been forgiven by the SBA, of which \$679.6 million have been forgiven in the year ended December 31, 2021. Overall, for the year ended December 31, 2021, the Company recognized \$96.2 million of revenue associated with PPP loans primarily as a result of forgiveness. The Company approved and funded the last of its remaining PPP applications upon exhaustion of the funds in the program on May 21, 2021.

For the years ended December 31, 2021, 2020, and 2019, the Company recorded incremental charges for the excess of amortized cost over the fair value of the loans of \$6.4 million, \$26.0 million, and \$23.2 million, respectively. To determine the fair value of the loans held for sale, the Company utilizes discounted cash flow valuation modeling, taking into account the probability of default and estimated timing and amounts of periodic repayments. In estimating the expected timing and amounts of the future periodic repayments for the loans outstanding, the Company considered other relevant market data in developing such estimates and assumptions, including the continuing impact of the COVID-19 pandemic. With respect to PPP loans, the Company also considers the impact of government guarantees and loan forgiveness on the timing and amounts of future cash flows. As of December 31, 2021, there were no material changes to our estimates of fair value, and the Company will continue to evaluate facts and circumstances that could impact our estimates and affect our results of operations in future periods.

If applicable, the Company will recognize transfers into and out of levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the years ended December 31, 2021, 2020 and 2019, the Company did not have any transfers in or out of Level 1, Level 2, or Level 3 assets or liabilities.

NOTE 6 - LOANS HELD FOR INVESTMENT

In April 2021, the Company began originating loans in the U.S. through its wholly-owned subsidiary bank, Square Financial Services. The Company sells the majority of the loans to institutional investors with a portion retained on its balance sheet. Loans retained by the Company are classified as held for investment as the Company has both the intent and ability to hold them for the foreseeable future, until maturity, or until payoff. The Company's intent and ability in the future may change based on changes in business strategies, the economic environment, and market conditions. As of December 31, 2021, the Company held \$91.4 million as loans held for investment, net of allowance, other current assets on the condensed consolidated balance sheet, see Note 11, *Other Consolidated Balance Sheet Components*.

Loans held for investment are recorded at amortized cost, less an allowance for potential uncollectible amounts. Amortized cost basis represents principal amounts outstanding, net of unearned income, unamortized deferred fees and costs on originated loans, premiums or discounts on purchased loans and charge-offs. The allowance for loan losses and amount of charge offs recorded as of December 31, 2021 were immaterial. There were no recoveries recorded as of December 31, 2021.

The Company considers loans that are greater than 60 days past due to be delinquent, and loans 90 days or more past due to be nonperforming. Loans that are 120 days or more past due are generally considered to be uncollectible and are written off. When a loan is identified as nonperforming, recognition of income is discontinued. Loans are restored to performing status after total overdue unpaid amounts are repaid and the Company has reasonable assurance that performance under the terms of the loan will continue. As of December 31, 2021, the amount of loans that were identified as nonperforming loans was immaterial.

The Company closely monitors economic conditions and loan performance trends to assess and manage its exposure to credit risk. The criteria the Company monitors when assessing the credit quality and risk of its loan portfolio is primarily based on internal risk ratings, as they provide insight into borrower risk profiles and are useful as indicators of potential future credit losses. Loans are internally rated as "Pass" rated or "Classified". Pass rated loans generally consist of loans that are current or up to 60 days past due. Classified loans generally comprise of loans that are 60 days or greater past due and have a higher risk of default. Internal risk ratings are reviewed and, generally, updated at least once a year. As of December 31, 2021, the amortized cost of Pass rated loans was \$95.1 million and the amount of Classified loans was immaterial.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment, less accumulated depreciation and amortization (in thousands):

	December 31, 2021	December 31, 2020
Leasehold improvements	\$ 208,228	\$ 168,125
Computer equipment	174,004	139,174
Capitalized software	116,827	119,452
Office furniture and equipment	42,393	34,890
Total	541,452	461,641
Less: Accumulated depreciation and amortization	(259,312)	(228,121)
Property and equipment, net	<u>\$ 282,140</u>	<u>\$ 233,520</u>

Depreciation and amortization expense on property and equipment was \$94.2 million, \$65.0 million, and \$60.6 million, for the years ended December 31, 2021, 2020, and 2019, respectively.

NOTE 8 - ACQUISITIONS

Afterpay

On January 31, 2022 (February 1, 2022 Australian Eastern Daylight Time), the Company completed the acquisition of Afterpay Limited (“Afterpay”), a global BNPL platform. In connection with the acquisition, the Company issued 113,387,895 shares of the Company’s Class A common stock with an aggregate fair value of \$13.9 billion based on the closing price of the Company’s Class A common stock on the acquisition date. As of the completion of the acquisition, certain convertible notes with an outstanding principal amount of AU\$ 1.5 billion (US\$ 1.1 billion based on the closing exchange rate on the acquisition date), remained outstanding. As a result of the acquisition of Afterpay, the original holders of the convertible notes may require Afterpay to redeem some or all of the notes at 100% of their principal amount no later than March 4, 2022.

The acquisition meets the criteria to be accounted for as a business combination. This method requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and that the difference between the fair value of the consideration paid for the acquired entity and the fair value of the net assets acquired be recorded as goodwill, which is not amortized but is tested at least annually for impairment. The Company is in the process of determining the fair values of purchase consideration transferred, as well as the fair values of tangible and intangible assets acquired and liabilities assumed.

TIDAL

On April 30, 2021, the Company acquired an 86.8% ownership interest in TIDAL, a global music and entertainment platform that brings fans and artists together through unique music, content, and experiences. The acquisition extends our purpose of economic empowerment to musicians. The Company has the option, but not the obligation, to acquire any portion of the remaining noncontrolling interest any time after a three year period has elapsed from the execution of the merger agreement at a price based on the fair value of TIDAL shares.

The purchase consideration was comprised of \$223.1 million in cash and 41,138 shares of the Company’s Class A common stock with an aggregate fair value of \$10.1 million based on the closing price of the Company’s Class A common stock on the acquisition date. Third-party acquisition-related costs were immaterial. The results of TIDAL’s operations have been included in the consolidated financial statements since the closing date.

The acquisition was accounted for as a business combination. This method requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and that the difference between the fair value of the consideration paid for the acquired entity and the fair value of the net assets acquired be recorded as goodwill, which is not amortized but is tested at least annually for impairment.

The table below summarizes the consideration paid for TIDAL and the fair value of the assets acquired and liabilities assumed at the closing date (in thousands, except share data).

Consideration:	
Cash	\$ 176,663
Deferred consideration	46,475
Stock (41,138 shares of Class A common stock)	10,071
	<u>\$ 233,209</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Current assets (inclusive of cash acquired of \$12,358)	\$ 29,621
Intangible customer assets	69,000
Intangible technology assets	29,000
Intangible trade name	35,000
Intangible other assets	8,000
Other non-current assets	33,443
Accrued expenses and other current liabilities	(67,789)
Other non-current liabilities	(52,759)
Total identifiable net assets acquired	<u>83,516</u>
Noncontrolling interests	(48,192)
Goodwill	<u>197,885</u>
Total	<u>\$ 233,209</u>

Goodwill from the acquisition was primarily attributable to the value of expected synergies created by incorporating TIDAL product and operations into the Company's technology platform and the value of the assembled workforce. An estimated amount of approximately \$70.7 million of the goodwill generated from the TIDAL acquisition and approximately \$126.7 million of the acquired intangible assets are expected to be deductible for US tax purposes based on the preliminary values. Additionally, the acquisition would have resulted in the recognition of US deferred tax assets; however, the realization of such deferred tax assets depends primarily on the Company's ability, post-acquisition, to generate taxable income in future periods of which there is not sufficient evidence of such income as of December 31, 2021. Accordingly, a valuation allowance was recorded against the net acquired deferred tax asset in accounting for the acquisition.

Deferred consideration in the aggregate amount of \$46.5 million primarily relates to pre-acquisition contingencies, and includes a portion of purchase consideration withheld, for a period of up to 4 years, as security for TIDAL's indemnification obligations related to general representations and warranties, in addition to certain potential exposures. The Company recognized certain liabilities for acquired pre-existing potential exposures, and an indemnification receivable in the amount of \$22.8 million has been recorded related to such exposures in accordance with the terms of the indemnification agreement. The amounts have been determined in accordance with ASC 740, *Income Taxes*, and ASC 450, *Contingencies*.

The Company prepared an initial determination of the fair value of the assets acquired and liabilities assumed as of the acquisition date using preliminary information. Subsequently, the Company has recognized measurement period adjustments to the purchase consideration and the jurisdictional allocation of the fair value of certain assets and liabilities assumed as a result of further refinements in the Company's estimates. The net effect of these adjustments on the preliminary purchase price allocation was an increase of \$13.1 million in goodwill and deferred tax liabilities assumed.

In addition to the deferred consideration, an additional amount of \$32.2 million in purchase consideration has been withheld related to defined post-acquisition activities. Because these amounts relate to post-acquisition activities, in accordance with ASC 805, *Business Combinations*, such amounts will be recognized as expenses in future periods, as incurred.

The noncontrolling interest was recorded based on the fair value on the date of acquisition.

The acquisition of TIDAL did not have a material impact on the Company's consolidated financial statements. Accordingly, pro forma financial information has not been presented.

Other Acquisitions

The Company completed certain acquisitions for a total consideration of \$20.5 million, \$126.7 million, and \$25.2 million, during the years ended December 31, 2021, 2020, and 2019, respectively, which resulted in the recognition of additional intangible assets and goodwill. There were no material acquisitions during these periods therefore pro forma financial information has not been presented. None of the goodwill generated from the acquisitions or the acquired intangible assets are expected to be deductible for tax purposes.

NOTE 9 - GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets acquired.

The change in carrying value of goodwill in the period was as follows (in thousands):

Balance at December 31, 2019	\$ 266,345
Acquisitions completed during the year ended December 31, 2020	49,571
Other adjustments	785
Balance at December 31, 2020	316,701
Acquisitions completed during the year ended December 31, 2021	203,079
Other adjustments	(504)
Balance at December 31, 2021	<u>\$ 519,276</u>

Effective June 30, 2020, the Company changed its operating and reporting segments to reflect the manner in which the CODM reviews and assesses performance. Accordingly, the Company has two operating and reportable segments, which are Square and Cash App (defined further in Note 19, *Segment and Geographical Information*). The Company allocated \$183.4 million and \$112.4 million of the goodwill balance at June 30, 2020 to Square and Cash App, respectively. In addition, the Company completed an assessment of any potential goodwill impairment for the reporting units immediately before and after the reallocation and determined that no impairment existed as of June 30, 2020.

The change in carrying value of goodwill allocated to the reportable segments in the period was as follows (in thousands):

	Cash App	Square	Corporate and Other	Total
Balance as of June 30, 2020	\$ 112,389	\$ 183,371	\$ —	\$ 295,760
Acquisitions	15,587	4,492	—	20,079
Other adjustments	862	—	—	862
Balance as of December 31, 2020	128,838	187,863	—	316,701
Acquisitions	—	5,194	197,885	203,079
Other adjustments	(504)	—	—	(504)
Balance as of December 31, 2021	<u>\$ 128,334</u>	<u>\$ 193,057</u>	<u>\$ 197,885</u>	<u>\$ 519,276</u>

Additionally, the Company performed its annual goodwill impairment assessment as of December 31, 2021. For purposes of completing the impairment test, the Company performs either a qualitative or a quantitative analysis on a reporting unit basis. Through qualitative analysis, the Company concluded that it was more likely than not that the fair value of the reporting units were greater than their carrying amounts. As a result, the two-step goodwill impairment test was not required, and no impairments of goodwill were recognized during the year ended December 31, 2021.

NOTE 10 - ACQUIRED INTANGIBLE ASSETS

The following table presents the detail of acquired intangible assets as of the periods presented (in thousands):

	Balance at December 31, 2021			
	Weighted Average Estimated Useful Life	Cost	Accumulated Amortization	Net
Technology assets	5 years	\$ 164,977	\$ (65,619)	\$ 99,358
Customer assets	15 years	128,316	(19,244)	109,072
Trade name	9 years	53,051	(14,169)	38,882
Other	9 years	13,743	(4,006)	9,737
Total		<u>\$ 360,087</u>	<u>\$ (103,038)</u>	<u>\$ 257,049</u>

	Balance at December 31, 2020			
	Weighted Average Estimated Useful Life	Cost	Accumulated Amortization	Net
Technology assets	5 years	\$ 119,508	\$ (43,084)	\$ 76,424
Customer assets	11 years	58,556	(10,796)	47,760
Trade name	6 years	18,529	(8,031)	10,498
Other	8 years	5,733	(2,803)	2,930
Total		<u>\$ 202,326</u>	<u>\$ (64,714)</u>	<u>\$ 137,612</u>

All intangible assets are amortized over their estimated useful lives.

The changes to the carrying value of intangible assets were as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Acquired intangible assets, net, beginning of the period	\$ 137,612	\$ 69,079	\$ 77,102
Acquisitions	159,100	85,960	14,559
Amortization expense	(40,522)	(19,239)	(15,000)
Sale of asset group	—	—	(7,582)
Other adjustments	859	1,812	—
Acquired intangible assets, net, end of the period	<u>\$ 257,049</u>	<u>\$ 137,612</u>	<u>\$ 69,079</u>

The estimated future amortization expense of intangible assets as of December 31, 2021 is as follows (in thousands):

2022	\$ 42,908
2023	41,657
2024	38,679
2025	31,852
2026	18,201
Thereafter	83,752
Total	<u>\$ 257,049</u>

NOTE 11 - OTHER CONSOLIDATED BALANCE SHEET COMPONENTS (CURRENT)

Other Current Assets

The following table presents the detail of other current assets (in thousands):

	December 31, 2021	December 31, 2020
Inventory, net	\$ 77,058	\$ 61,129
Restricted cash	18,778	30,279
Processing costs receivable	228,914	148,606
Prepaid expenses	63,341	34,279
Accounts receivable, net	89,702	41,960
Loans held for investment, net of allowance for loan losses (i)	91,447	—
Other	118,189	66,814
Total	<u>\$ 687,429</u>	<u>\$ 383,067</u>

(i) In April 2021, the Company began originating loans in the U.S. through its wholly-owned subsidiary bank, Square Financial Services, Inc., and discontinued a prior arrangement with an industrial bank partner. Refer to Note 6, *Loans Held for Investment* for further details.

Accrued Expenses and Other Current Liabilities

The following table presents the detail of accrued expenses and other current liabilities (in thousands):

	December 31, 2021	December 31, 2020
Accrued expenses	\$ 254,900	\$ 126,710
Accrued royalties	53,616	—
Accrued transaction losses (i)	55,167	70,557
Accounts payable	82,173	47,089
Deferred revenue, current	48,462	44,908
Current portion of long-term debt	455	—
Other	144,536	71,586
Total	<u>\$ 639,309</u>	<u>\$ 360,850</u>

(i) The Company is exposed to potential credit losses related to transactions processed by sellers that are subsequently subject to chargebacks when the Company is unable to collect from the sellers primarily due to insolvency. Generally, the Company estimates the potential loss rates based on historical experience that is continuously adjusted for new information and incorporates, where applicable, reasonable and supportable forecasts about future expectations.

The reconciliation of the beginning and ending accrued transaction losses is as follows:

	Year Ended December 31,	
	2021	2020
Accrued transaction losses, beginning of the year	\$ 70,557	\$ 34,771
Provision for transaction losses	63,436	109,399
Charge-offs to accrued transaction losses	(78,826)	(73,613)
Accrued transaction losses, end of the year	<u>\$ 55,167</u>	<u>\$ 70,557</u>

In addition to amounts reflected in the table above, the Company recognized additional provision for transaction losses that were realized and written-off within the same period. The Company recorded \$338.6 million and \$264.3 million for the year ended December 31, 2021, and 2020, respectively, for such losses.

NOTE 12 - OTHER CONSOLIDATED BALANCE SHEET COMPONENTS (NON-CURRENT)

Other Non-Current Assets

The following table presents the detail of other non-current assets (in thousands):

	December 31, 2021	December 31, 2020
Investment in non-marketable equity securities (i)	\$ 81,919	\$ 32,510
Investment in marketable equity security (ii)	—	376,258
Investment in bitcoin, net (iii)	149,000	50,000
Restricted cash	71,702	13,526
Other	67,914	26,956
Total	<u>\$ 370,535</u>	<u>\$ 499,250</u>

(i) Investment in non-marketable equity securities represents the Company's investments in equity of non-public entities. The Company also holds a non-marketable common stock warrant in a public entity. These investments are measured using the measurement alternative and are therefore carried at cost, less impairment, adjusted for observable price changes from orderly transactions for identical or similar investments of the same issuer. Adjustments are recorded within other expense (income), net on the consolidated statement of operations. During the year ended December 31, 2021, the Company recorded a net loss of \$12.4 million, arising from the revaluation of the non-marketable investments.

(ii) In December 2020, upon DoorDash's initial public offering, the shares of preferred stock held by the Company converted into Class A common stock of DoorDash. The investment was carried at fair value, with changes in fair value being recorded within other income or expense on the consolidated statement of operations. During the year ended December 31, 2021, the Company recorded a net gain of \$44.4 million. In June 2021, the Company completed the sale of its remaining investment in DoorDash, which will have no further impact on the Company's results in future periods.

(iii) The Company invested \$50.0 million and \$170.0 million in bitcoin in the fourth quarter of 2020 and the first quarter of 2021, respectively. Bitcoin is accounted for as an indefinite lived intangible asset, and thus, is subject to impairment losses if the fair value of bitcoin decreases below the carrying value during the assessed period. Impairment losses cannot be recovered for any subsequent increase in fair value until the sale of the asset.

The Company recorded impairment losses of \$71.1 million in the year ended December 31, 2021 due to the observed market price of bitcoin decreasing below the carrying value during the period. As of December 31, 2021, the fair value of the investment in bitcoin was \$371.0 million based on observable market prices which is \$222.1 million in excess of the Company's carrying value of \$149.0 million.

Other Non-Current Liabilities

The following table presents the detail of other non-current liabilities (in thousands):

	December 31, 2021	December 31, 2020
Statutory liabilities (i)	\$ 133,020	\$ 75,370
Other (ii)	89,826	9,921
Total	\$ 222,846	\$ 85,291

(i) Statutory liabilities represent loss contingencies that may arise from the Company's interpretation and application of certain guidelines and rules issued by various federal, state, local, and foreign regulatory authorities.

(ii) Other non-current liabilities includes deferred purchase consideration associated with the acquisition of TIDAL.

NOTE 13 - INDEBTEDNESS

Revolving Credit Facility

In May 2020, the Company entered into a revolving credit agreement with certain lenders, which provided a \$500.0 million senior unsecured revolving credit facility (the "2020 Credit Facility") maturing in May 2023. On May 28, 2020, the Company amended the credit agreement for the 2020 Credit Facility (the "Credit Agreement") to permit the Company's wholly owned subsidiary, Square Capital, LLC ("Square Capital"), to incur indebtedness in an aggregate principal amount of up to \$500.0 million pursuant to the Paycheck Protection Program Liquidity Facility ("PPPLF") authorized under the Federal Reserve Act of 1913. In connection with its convertible debt offerings in November 2020, the Company entered into a second amendment to the Credit Agreement on November 9, 2020 to permit convertible debt in an aggregate principal amount not to exceed \$3.6 billion. On January 28, 2021, the Company entered into a third amendment to the Credit Agreement to increase the amount of indebtedness that Square Capital is permitted to incur pursuant to the PPPLF from an aggregate principal amount of up to \$500.0 million to an aggregate principal amount of up to \$1.0 billion. On May 25, 2021, the Company entered into a fourth amendment to the Credit Agreement to, among other things, extend the maturity date of the loans advanced to May 1, 2024. The Credit Agreement also contains a financial covenant that requires the Company to maintain a quarterly minimum liquidity amount (consisting of the sum of Unrestricted cash and Cash Equivalents plus Marketable Securities, each as defined in the Credit Agreement) of at least \$250.0 million, tested on a quarterly basis. The Company is obligated to pay customary fees for a credit facility of this size and type including a commitment fee of 0.15% per annum on the undrawn portion available under the 2020 Credit Facility. To date no funds have been drawn and no letters of credit have been issued under the 2020 Credit Facility. As of December 31, 2021, \$500.0 million remained available for draw. The Company incurred \$0.8 million and \$0.7 million in commitment fees during the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, the Company was in compliance with all financial covenants associated with the 2020 Credit Facility.

Loans under the 2020 Credit Facility bear interest at the Company's option of (i) a base rate based on the highest of the prime rate, the federal funds rate plus 0.50%, and the adjusted LIBOR rate plus 1.00%, in each case, plus a margin ranging from 0.25% to 0.75% or (ii) an adjusted LIBOR rate plus a margin ranging from 1.25% to 1.75%. The Credit Agreement includes provisions allowing the Company to replace or update LIBOR with a replacement rate. The margin is determined based on the Company's total leverage ratio, as defined in the Credit Agreement. The Credit Agreement also contains customary affirmative and negative covenants typical for a financing of this type that, among other things, restricts the Company and certain of its subsidiaries' ability to incur additional indebtedness, create liens, merge or consolidate or make certain dispositions, pay dividends and make distributions, enter into restrictive agreements, enter into agreements with affiliates, and make certain investments and acquisitions.

Paycheck Protection Program Liquidity Facility

On June 2, 2020, Square Capital was approved to borrow under the PPPLF with the Federal Reserve Bank of San Francisco (“First PPPLF Agreement”), at an annual interest rate of 0.35%. The PPPLF extends credit to eligible financial institutions that have originated or purchased PPP loans. Advances under the PPPLF are non-recourse and are secured by a pledge of PPP loans held by Square Capital. The maturity date of any PPPLF loan will be the maturity date of the PPP loans pledged to secure such PPPLF loan. The maturity date of any PPPLF loan will be accelerated on and to the extent of (i) the date of any loan forgiveness reimbursement by the SBA for any PPP loan securing such PPPLF loan; or (ii) the date of purchase by the SBA from Square Capital of any PPP loan securing such PPPLF loan to realize on the SBA’s guarantee of such PPP loan. The maturity date of all PPPLF loans shall be accelerated upon the occurrence of certain events of default by Square Capital, including but not limited to the failure to comply with a requirement of the PPPLF agreement or any representation, warranty, or covenant of Square Capital under the PPPLF agreement being inaccurate on or as of the date it is deemed to be made or on any date on which an PPPLF loan remains outstanding. The Company can also at its option prepay the advances in full or in part without penalty. Square Capital also shall prepay PPPLF loans so that the amount of any PPPLF loans outstanding does not exceed the outstanding amount of PPP loans pledged to secure such PPPLF loans.

On January 29, 2021, Square Capital entered into a second PPPLF agreement with the Federal Reserve Bank of San Francisco (“Second PPPLF Agreement”) to secure additional credit collateralized by loans from the subsequent rounds of the PPP program in an aggregate principal amount of up to \$1.0 billion under both PPPLF agreements. As of December 31, 2021, \$497.5 million of PPPLF advances were outstanding and are, generally, collateralized by the same value of PPP loans. Any differences between the amounts are generally due to the timing of PPP loan repayment or forgiveness, and repayment of PPPLF advances.

Senior Unsecured Notes due in 2026 and 2031

On May 20, 2021, the Company issued an aggregate principal amount of \$2.0 billion senior unsecured notes comprised of \$1.0 billion of senior unsecured notes due 2026 (“2026 Senior Notes”) and \$1.0 billion senior unsecured notes due 2031 (“2031 Senior Notes”) and, together with the 2026 Senior Notes, the “Senior Notes”). The 2026 Senior Notes mature on June 1, 2026, unless earlier redeemed or repurchased, and bear interest a rate of 2.75% payable semi-annually on June 1 and December 1 of each year. The 2031 Senior Notes mature on June 1, 2031, unless earlier redeemed or repurchased, and bear interest at a rate of 3.50% payable semi-annually on June 1 and December 1 of each year. The Senior Notes are subject to optional redemption provisions. At any time prior to May 1, 2026, in the case of the 2026 Senior Notes, and March 1, 2031, in the case of the 2031 Senior Notes, the Company may redeem the applicable series in whole or part at a price equal to 100% of the principal amount of the notes to be redeemed plus an applicable premium and accrued and unpaid interest, if any, to but excluding the redemption date. The applicable premium for any note is the greater of: (1) 1.0% of the principal amount of such note, and (2) the excess, if any, of (a) the present value at the redemption date of all scheduled payments of interest plus principal on such note (excluding accrued but unpaid interest, if any, to, but excluding, the redemption date) computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points, over (b) the principal amount of such note. At any time on or after May 1, 2026, in the case of the 2026 Senior Notes, and March 1, 2031, in the case of the 2031 Senior Notes, the Company may redeem the notes of the applicable series in whole or part at a price of 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any, to but excluding the redemption date. If the Company experiences a change of control triggering event (as defined in the applicable indenture governing the applicable Senior Notes), the Company must offer to repurchase each series of Senior Notes at a repurchase price equal to 101% of the principal amount of the applicable notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date. In the event of default, the trustee or holders of at least 25% in aggregate principal amount of the applicable series of outstanding Senior Notes under the applicable indenture may declare all of the notes of the applicable series to be due and immediately payable. If the event of default is the result of specified events of bankruptcy, insolvency or reorganization, all of the notes of the applicable series will become due without any declaration or action by the trustee or holders. If there is a default in the payment of interest, the Company shall pay the defaulted interest plus, to the extent lawful, interest payable on the defaulted interest at the rate provided in the Senior Notes.

Debt issuance costs related to the 2026 Senior Notes and 2031 Senior Notes were comprised of discounts and commissions payable to the initial purchasers of \$22.5 million and third party offering costs of \$5.7 million. Issuance costs are amortized to interest expense using the effective interest method at an effective interest rate of 3.06% and 3.69% for each of the respective terms of the 2026 Senior Notes and 2031 Senior Notes, respectively.

Convertible Notes due in 2026 and 2027

On November 13, 2020, the Company issued an aggregate principal amount of \$1.15 billion of convertible senior notes comprised of \$575.0 million of convertible senior notes due 2026 ("2026 Convertible Notes") and \$575.0 million of convertible senior notes due 2027 ("2027 Convertible Notes"). The 2026 Convertible Notes mature on May 1, 2026, unless earlier converted or repurchased, and bears a zero rate of interest. The 2027 Convertible Notes mature on November 1, 2027, unless earlier converted or repurchased, and bear interest at a rate of 0.25% payable semi-annually on May 1 and November 1 of each year. Both the 2026 Convertible Notes and 2027 Convertible Notes are convertible at an initial conversion rate of 3.3430 shares of the Company's Class A common stock per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$299.13 per share of Class A common stock. Holders may convert their relevant series of notes at any time prior to the close of business on the business day immediately preceding February 1, 2026 and August 1, 2027 for the 2026 Convertible Notes and 2027 Convertible Notes, respectively, only under the following circumstances: (1) during any calendar quarter, commencing after the calendar quarter ending on March 31, 2021 (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2026 Convertible Notes and 2027 Convertible Notes) per \$1,000 principal amount of 2026 Convertible Notes and 2027 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; (3) if the Company calls any or all of the 2026 Convertible Notes and 2027 Convertible Notes for redemption, such relevant series of notes called for redemption may be converted at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental change (as defined in the indenture governing the 2026 Convertible Notes and 2027 Convertible Notes) or a transaction resulting in the Company's Class A common stock converting into other securities or property or assets. In addition, upon occurrence of the specified corporate events prior to the maturity date, the Company would increase the conversion rate for a holder who elects to convert their relevant series of notes in connection with such an event in certain circumstances. On or after February 1, 2026 in the case of the 2026 Convertible Notes, and on or after August 1, 2027 in the case of the 2027 Convertible Notes, up until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder of the relevant series of notes may convert all or any portion of its 2026 Convertible Notes or 2027 Convertible Notes regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at the Company's election. The circumstances required to allow the holders to convert their 2026 Convertible Notes and 2027 Convertible Notes were not met during the year ended December 31, 2021. On or after November 5, 2023 for the 2026 Convertible Notes, and on or after November 5, 2024 for the 2027 Convertible Notes, the Company may redeem all or a portion of each series of convertible notes for cash at its option, if the last reported sale price of the Company's Class A common stock has been at least 130% of the conversion price for the relevant series of notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2026 Convertible Notes and 2027 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

In accounting for the issuance of the 2026 Convertible Notes and 2027 Convertible Notes, prior to the adoption of ASU No. 2020-06, the Company separated the relevant series of convertible notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was \$198.0 million and was determined by deducting the fair value of the liability component from the par value of the 2026 Convertible Notes and the 2027 Convertible Notes. The equity component was not re-measured as long as it continued to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount ("debt discount") was amortized to interest expense at an effective interest rate of 3.35% and 3.66% for the 2026 Convertible Notes and 2027 Convertible Notes, respectively. Upon adoption of ASU No. 2020-06 on January 1, 2021, the

Company reversed the separation of the debt and equity components and accounted for the Notes wholly as debt. The Company also reversed the amortization of the debt discount, with a cumulative adjustment to retained earnings on the adoption date.

Debt issuance costs related to the 2026 Convertible Notes and 2027 Convertible Notes were comprised of discounts and commissions payable to the initial purchasers of \$17.5 million and third party offering costs of \$1.0 million. Prior to the adoption of ASU No. 2020-06, the Company allocated the total amount incurred to the liability and equity components of the 2026 Convertible Notes and 2027 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were \$15.4 million and were amortized to interest expense using the effective interest method. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity. Upon adoption of ASU No. 2020-06 on January 1, 2021, the Company reversed the allocation of the issuance costs to the equity component and accounted for the entire amount as debt issuance cost that will be amortized as interest expense at an effective interest rate of 0.49% and 0.30% for each of the respective terms of the 2026 Convertible Notes and 2027 Convertible Notes, respectively, with a cumulative adjustment to retained earnings on the adoption date.

Upon adoption of ASU No. 2020-06, the difference between the estimated fair value and the carrying value upon conversion is accounted for as a reduction to the related debt issuance costs, with the remainder recognized as additional paid in capital to reflect the par value of the shares issued. As of December 31, 2021, there has been no principal converted on either the 2026 Convertible Notes or 2027 Convertible Notes.

As of December 31, 2021, the if-converted value of the 2026 Convertible Notes and 2027 Convertible Notes did not exceed the outstanding principal amount.

Convertible Notes due in 2025

On March 5, 2020, the Company issued an aggregate principal amount of \$1.0 billion of convertible senior notes ("2025 Convertible Notes"). The 2025 Convertible Notes mature on March 1, 2025, unless earlier converted or repurchased, and bear interest at a rate of 0.1250% payable semi-annually on March 1 and September 1 of each year. The 2025 Convertible Notes are convertible at an initial conversion rate of 8.2641 shares of the Company's Class A common stock per \$1,000 principal amount of 2025 Convertible Notes, which is equivalent to an initial conversion price of approximately \$121.01 per share of Class A common stock. Holders may convert their 2025 Convertible Notes at any time prior to the close of business on the business day immediately preceding December 1, 2024 only under the following circumstances: (1) during any calendar quarter, commencing after the calendar quarter ending on June 30, 2020 (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2025 Convertible Notes) per \$1,000 principal amount of 2025 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; (3) if the Company calls any or all of the 2025 Convertible Notes for redemption, such 2025 Convertible Notes called for redemption may be converted at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental change (as defined in the indenture governing the 2025 Convertible Notes) or a transaction resulting in the Company's Class A common stock converting into other securities or property or assets. In addition, upon occurrence of the specified corporate events prior to the maturity date, the Company would increase the conversion rate for a holder who elects to convert their 2025 Convertible Notes in connection with such an event in certain circumstances. On or after December 1, 2024, up until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or any portion of its 2025 Convertible Notes regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at the Company's election. The Company may redeem for cash all or any part of the 2025 Convertible Notes, at its option, on or after March 5, 2023, if the last reported sale price of the Company's Class A common stock has been at least 130% of the conversion price for the 2025 Convertible Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2025 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The circumstances to allow the holders to convert their 2025 Convertible Notes were met in the first quarter of 2021.

In accounting for the issuance of the 2025 Convertible Notes, prior to the adoption of ASU No. 2020-06, the Company separated the 2025 Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was \$154.6 million and was determined by deducting the fair value of the liability component from the par value of the 2025 Convertible Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense over the term of the 2025 Convertible Notes at an effective interest rate of 3.81% over the contractual terms of the 2025 Convertible Notes. Upon adoption of ASU No. 2020-06 on January 1, 2021, the Company reversed the separation of the debt and equity components and accounted for the 2025 Convertible Notes wholly as debt. The Company also reversed the amortization of the debt discount, with a cumulative adjustment to retained earnings on the adoption date.

Debt issuance costs related to the 2025 Convertible Notes were comprised of discounts and commissions payable to the initial purchasers of \$14.3 million and third party offering costs of \$0.9 million. Prior to the adoption of ASU No. 2020-06, the Company allocated the total amount incurred to the liability and equity components of the 2025 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were \$12.8 million and will be amortized to interest expense using the effective interest method over the contractual term. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity. Upon adoption of ASU No. 2020-06 on January 1, 2021, the Company reversed the allocation of the issuance costs to the equity component and accounted for the

entire amount as debt issuance cost that will be amortized as interest expense over the remaining term at an effective interest rate of 0.43% for the 2025 Convertible Notes with a cumulative adjustment to retained earnings on the adoption date.

Upon adoption of ASU No. 2020-06, the difference between the estimated fair value and the carrying value upon conversion is accounted for as a reduction to the related debt issuance costs, with the remainder recognized as additional paid in capital to reflect the par value of the shares issued. As of December 31, 2021, there has been no principal converted on the 2025 Convertible Notes.

As of December 31, 2021, the if-converted value of the 2025 Convertible Notes exceeded the outstanding principal amount by \$334.7 million.

Convertible Notes due in 2023

On May 25, 2018, the Company issued an aggregate principal amount of \$862.5 million of convertible senior notes ("2023 Convertible Notes"). The 2023 Convertible Notes mature on May 15, 2023, unless earlier converted or repurchased, and bear interest at a rate of 0.50% payable semi-annually on May 15 and November 15 of each year. The 2023 Convertible Notes are convertible at an initial conversion rate of 12.8456 shares of the Company's Class A common stock per \$1,000 principal amount of 2023 Convertible Notes, which is equivalent to an initial conversion price of approximately \$77.85 per share of Class A common stock. Holders may convert their 2023 Convertible Notes at any time prior to the close of business on the business day immediately preceding February 15, 2023 only under the following circumstances: (1) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2023 Convertible Notes) per \$1,000 principal amount of 2023 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental change (as defined in the indenture governing the 2023 Convertible Notes) or a transaction resulting in the Company's Class A common stock converting into other securities or property or assets. On or after February 15, 2023, up until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or any portion of its 2023 Convertible Notes regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at the Company's election. The circumstances to allow the holders to convert their 2023 Convertible Notes were met in the fourth quarter of 2020 and continued to be met through December 31, 2021. As of December 31, 2021, certain holders of the 2023 Convertible Notes have converted an aggregate principal amount of \$401.9 million of their 2023 Convertible Notes, all of which was converted during the twelve months ended December 31, 2021. The Company has settled the conversions through the issuance of 5.2 million shares of the Company's Class A common stock.

In accounting for the issuance of the 2023 Convertible Notes, prior to the adoption of ASU No. 2020-06, the Company separated the 2023 Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was \$155.3 million and was determined by deducting the fair value of the liability component from the par value of the 2023 Convertible Notes. The equity component is not re-measured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense over the term of the 2023 Convertible Notes at an effective interest rate of 4.69% over the contractual terms of the 2023 Convertible Notes. Upon adoption of ASU No. 2020-06 on January 1, 2021, the Company reversed the separation of the debt and equity components and accounted for the 2023 Convertible Notes wholly as debt. The Company also reversed the amortization of the debt discount, with a cumulative adjustment to retained earnings on the adoption date.

Debt issuance costs related to the 2023 Convertible Notes comprised of discounts and commissions payable to the initial purchasers of \$6.0 million and third party offering costs of \$0.8 million. Prior to the adoption of ASU No. 2020-06, the Company allocated the total amount incurred to the liability and equity components of the 2023 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were \$5.6 million and will be amortized to interest expense using the effective interest method over the contractual term. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity. Upon adoption of ASU No. 2020-06 on January 1, 2021, the

Company reversed the allocation of the issuance costs to the equity component and accounted for the entire amount as debt issuance cost that will be amortized as interest expense over the remaining term at an effective interest rate of 0.66% for the 2023 Convertible Notes with a cumulative adjustment to retained earnings on the adoption date.

Upon adoption of ASU No. 2020-06, the difference between the estimated fair value and the carrying value upon conversion is accounted for as a reduction to the related debt issuance costs, with the remainder recognized as additional paid in capital to reflect the par value of the shares issued.

As of December 31, 2021, the if-converted value of the 2023 Convertible Notes exceeded the outstanding principal amount by \$495.0 million.

Convertible Notes due in 2022

On March 6, 2017, the Company issued an aggregate principal amount of \$440.0 million of convertible senior notes ("2022 Convertible Notes"). The 2022 Convertible Notes mature on March 1, 2022, unless earlier converted or repurchased, and bear interest at a rate of 0.375% payable semi-annually on March 1 and September 1 of each year. The 2022 Convertible Notes are convertible at an initial conversion rate of 43.5749 shares of the Company's Class A common stock per \$1,000 principal amount of 2022 Convertible Notes, which is equivalent to an initial conversion price of approximately \$22.95 per share of Class A common stock. Holders may convert their 2022 Convertible Notes at any time prior to the close of business on the business day immediately preceding December 1, 2021 only under the following circumstances: (1) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2022 Convertible Notes) per \$1,000 principal amount of 2022 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental change (as defined in the indenture governing the 2022 Convertible Notes) or a transaction resulting in the Company's Class A common stock converting into other securities or property or assets. On or after December 1, 2021, up until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or any portion of its 2022 Convertible Notes regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at the Company's election. The circumstances required to allow the holders to convert their 2022 Convertible Notes were met in the fourth quarter of 2017 and continued to be met through December 31, 2021. As of December 31, 2021, certain holders of the 2022 Convertible Notes have converted an aggregate principal amount of \$439.5 million of their 2022 Convertible Notes, of which \$8.1 million was converted during the twelve months ended December 31, 2021. The Company has settled the conversions through a combination of \$219.4 million in cash and issuance of 16.5 million shares of the Company's Class A common stock. The conversions during the twelve months ended December 31, 2021 were settled entirely in shares of the Company's Class A common stock.

In accounting for the issuance of the 2022 Convertible Notes, prior to the adoption of ASU No. 2020-06, the Company separated the 2022 Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was \$86.2 million and was determined by deducting the fair value of the liability component from the par value of the 2022 Convertible Notes. The equity component is not re-measured as long as it continues to meet the conditions for equity classification. The debt discount is amortized to interest expense over the term of the 2022 Convertible Notes at an effective interest rate of 5.34% over the contractual terms of the 2022 Convertible Notes. Upon adoption of ASU No. 2020-06 on January 1, 2021, the Company reversed the separation of the debt and equity components and accounted for the 2022 Convertible Notes wholly as debt. The Company also reversed the amortization of the debt discount, with a cumulative adjustment to retained earnings on the adoption date.

Debt issuance costs related to the 2022 Convertible Notes comprised of discounts and commissions payable to the initial purchasers of \$11.0 million and third party offering costs of \$0.8 million. Prior to the adoption of ASU No. 2020-06, the Company allocated the total amount incurred to the liability and equity components of the 2022 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were \$9.4 million and will be amortized to

interest expense using the effective interest method over the contractual term. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity. Upon adoption of ASU No. 2020-06 on January 1, 2021, the Company reversed the allocation of the issuance costs to the equity component and accounted for the entire amount as debt issuance cost that will be amortized as interest expense over the remaining term at an effective interest rate of 0.93% for the 2022 Convertible Notes with a cumulative adjustment to retained earnings on the adoption date.

Prior to the adoption of ASU No. 2020-06, the debt component associated with the 2022 Convertible Notes that were converted was accounted for as an extinguishment of debt, with the Company recording loss on extinguishment as the difference between the estimated fair value and the carrying value of such 2022 Convertible Notes. The equity component associated with the 2022 Convertible Notes that were converted was accounted for as a reacquisition of equity upon the conversion of such 2022 Convertible Notes. Upon adoption of ASU No. 2020-06, the difference between the estimated fair value and the carrying value upon conversion is accounted for as a reduction to the related debt issuance costs, with the remainder recognized as additional paid in capital to reflect the par value of the shares issued. There no longer is a gain or loss on extinguishment of debt recognized upon conversion, as the debt is settled in equity.

As of December 31, 2021, the if-converted value of the 2022 Convertible Notes exceeded the outstanding principal amount by \$2.7 million.

The net carrying amount of the Notes were as follows (in thousands):

	Principal outstanding	Unamortized debt issuance costs	Net carrying value
December 31, 2021			
2031 Senior Notes	\$ 1,000,000	\$ (13,226)	\$ 986,774
2026 Senior Notes	1,000,000	(12,374)	987,626
2027 Convertible Notes	575,000	(7,792)	567,208
2026 Convertible Notes	575,000	(7,379)	567,621
2025 Convertible Notes	1,000,000	(9,639)	990,361
2023 Convertible Notes	460,630	(1,012)	459,618
2022 Convertible Notes	455	—	455
Total	<u>\$ 4,611,085</u>	<u>\$ (51,422)</u>	<u>\$ 4,559,663</u>

As discussed above, upon the adoption of ASU No. 2020-06, the Company reversed the separation of the debt and equity components of the Convertible Notes, and accounted for the Convertible Notes wholly as debt. Additionally, the issuance costs of the Notes were accounted for as debt issuance costs in its entirety. Refer to Note 1, *Description of Business and Summary of Significant Accounting Policies* for further details on the impact of adoption.

	Principal outstanding	Unamortized debt discount	Unamortized debt issuance costs	Net carrying value
December 31, 2020				
2027 Convertible Notes	\$ 575,000	\$ (109,134)	\$ (7,370)	\$ 458,496
2026 Convertible Notes	575,000	(85,085)	(7,711)	482,204
2025 Convertible Notes	1,000,000	(130,335)	(11,333)	858,332
2023 Convertible Notes	862,500	(79,980)	(2,474)	780,046
2022 Convertible Notes	8,545	(629)	(70)	7,846
Total	<u>\$ 3,021,045</u>	<u>\$ (405,163)</u>	<u>\$ (28,958)</u>	<u>\$ 2,586,924</u>

The net carrying amount of the equity component of the Convertible Notes as of December 31, 2020 were as follows (in thousands):

	Amount allocated to conversion option	Less: allocated issuance costs	Equity component, net
December 31, 2020			
2027 Convertible Notes	\$ 111,000	\$ (1,793)	\$ 109,207
2026 Convertible Notes	87,000	(1,405)	85,595
2025 Convertible Notes	154,600	(2,342)	152,258
2023 Convertible Notes	155,250	(1,231)	154,019
2022 Convertible Notes	1,674	(45)	1,629
Total	<u>\$ 509,524</u>	<u>\$ (6,816)</u>	<u>\$ 502,708</u>

The Company recognized interest expense on the Notes as follows (in thousands, except for percentages):

	Year Ended December 31,		
	2021	2020	2019
Contractual interest expense	\$ 44,141	\$ 6,078	\$ 5,108
Amortization of debt discount and issuance costs (i)	9,823	67,979	39,139
Total	\$ 53,964	\$ 74,057	\$ 44,247

(i) Upon adoption of ASU No. 2020-06, the debt discount associated with the equity component on convertible debt outstanding was reversed which resulted in a decrease in the amount of non-cash interest expense to be recognized going forward.

Prior to the adoption of ASU No. 2020-06, the effective interest rate for the 2027 Convertible Notes, 2026 Convertible Notes, 2025 Convertible Notes, 2023 Convertible Notes, and 2022 Convertible Notes was 3.66%, 3.35%, 3.81%, 4.69% and 5.34%, respectively. After the adoption of ASU No. 2020-06, the effective interest rates for the 2027 Convertible Notes, 2026 Convertible Notes, 2025 Convertible Notes, 2023 Convertible Notes, and 2022 Convertible Notes are 0.30%, 0.49%, 0.43%, 0.66%, and 0.93%, respectively.

Convertible Note Hedge and Warrant Transactions

In connection with the offering of the 2027 Convertible Notes, the Company entered into convertible note hedge transactions ("2027 convertible note hedges") with certain financial institution counterparties ("2027 Convertible Notes Counterparties") whereby the Company has the option to purchase a total of approximately 1.92 million shares of its Class A common stock at a price of approximately \$299.13 per share. The total cost of the 2027 convertible note hedge transactions was \$104.3 million. In addition, the Company sold warrants ("2027 warrants") to the 2027 Convertible Notes Counterparties whereby the 2027 Convertible Notes Counterparties have the option to purchase a total of 1.92 million shares of the Company's Class A common stock at a price of approximately \$414.18 per share for the 2027 warrants. The Company received \$68.0 million in cash proceeds from the sale of the 2027 warrants. Taken together, the purchase of the 2027 convertible note hedges and sale of the 2027 warrants are intended to reduce dilution from the conversion of the 2027 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2027 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately \$299.13 per share to approximately \$414.18 per share for the 2027 warrants. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2027 convertible note hedges and 2027 warrants are recorded in stockholders' equity, are not accounted for as derivatives and are not re-measured each reporting period. The net costs incurred in connection with the 2027 convertible note hedges and 2027 warrant transactions were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets.

In connection with the offering of the 2026 Convertible Notes, the Company entered into convertible note hedge transactions ("2026 convertible note hedges") with certain financial institution counterparties ("2026 Convertible Notes Counterparties") whereby the Company has the option to purchase a total of approximately 1.92 million shares of its Class A common stock at a price of approximately \$299.13 per share. The total cost of the 2026 convertible note hedges was \$84.6 million. In addition, the Company sold warrants ("2026 warrants") to the 2026 Convertible Notes Counterparties whereby the 2026 Convertible Notes Counterparties have the option to purchase a total of 1.92 million shares of the Company's Class A common stock at a price of approximately \$368.16 per share for the 2026 warrants. The Company received \$64.6 million in cash proceeds from the sale of the 2026 warrants. Taken together, the purchase of the 2026 convertible note hedges and sale of the 2026 warrants are intended to reduce dilution from the conversion of the 2026 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2026 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately \$299.13 per share to approximately \$368.16 per share for the 2026 warrants. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2026 convertible note hedges and 2026 warrants are recorded in stockholders' equity, are not accounted for as derivatives and are not remeasured each reporting period. The net costs incurred in connection with the 2026 convertible note hedges and 2026 warrants were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets.

In connection with the offering of the 2025 Convertible Notes, the Company entered into convertible note hedge transactions ("2025 convertible note hedges") with certain financial institution counterparties ("2025 Convertible Notes Counterparties") whereby the Company has the option to purchase a total of approximately 8.26 million shares of its Class A common stock at a price of approximately \$121.01 per share. The total cost of the 2025 convertible note hedges was \$149.2 million. In addition, the Company sold warrants ("2025 warrants") to the 2025 Convertible Notes Counterparties whereby the 2025 Convertible Notes Counterparties have the option to purchase a total of 8.26 million shares of the Company's Class A common stock at a price of approximately \$161.34 per share. The Company received \$99.5 million in cash proceeds from the sale of the 2025 warrants. Taken together, the purchase of the 2025 convertible note hedges and sale of the 2025 warrants are intended to reduce dilution from the conversion of the 2025 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2025 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately \$121.01 per share to approximately \$161.34 per share. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2025 convertible note hedges and 2025 warrants are recorded in stockholders' equity, are not accounted for as derivatives and are not remeasured each reporting period. The net costs incurred in connection with the 2025 convertible note hedges and 2025 warrants were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets.

In connection with the offering of the 2023 Convertible Notes, the Company entered into convertible note hedge transactions ("2023 convertible note hedges") with certain financial institution counterparties ("2018 Counterparties") whereby the Company has the option to purchase a total of approximately 11.1 million shares of its Class A common stock at a price of approximately \$77.85 per share. The total cost of the 2023 convertible note hedges was \$172.6 million. In addition, the Company sold warrants ("2023 warrants") to the 2018 Counterparties whereby the 2018 Counterparties have the option to purchase a total of 11.1 million shares of the Company's Class A common stock at a price of approximately \$109.26 per share. The Company received \$112.1 million in cash proceeds from the sale of the 2023 warrants. Taken together, the purchase of the 2023 convertible note hedges and sale of the 2023 warrants are intended to reduce dilution from the conversion of the 2023 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2023 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately \$77.85 per share to approximately \$109.26 per share. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2023 convertible note hedges and 2023 warrants are recorded in stockholders' equity, are not accounted for as derivatives and are not remeasured each reporting period. The net costs incurred in connection with the 2023 convertible note hedges and 2023 warrants were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets. The Company also exercised a pro-rata portion of the 2023 convertible note hedges to offset the shares of the Company's Class A common stock issued to settle the conversion of the 2023 Convertible Notes. The Company has received 2.0 million shares of the Company's Class A common stock from the 2018 Counterparties, all of which was received in the twelve months ended December 31, 2021.

In connection with the offering of the 2022 Convertible Notes, the Company entered into convertible note hedge transactions ("2022 convertible note hedges") with certain financial institution counterparties ("2017 Counterparties") whereby the Company has the option to purchase a total of approximately 19.2 million shares of its Class A common stock at a price of approximately \$22.95 per share. The total cost of the 2022 convertible note hedge transactions was \$92.1 million. In addition, the Company sold warrants ("2022 warrants") to the 2017 Counterparties whereby the 2017 Counterparties have the option to purchase a total of 19.2 million shares of the Company's Class A common stock at a price of approximately \$31.18 per share. The Company received \$57.2 million in cash proceeds from the sale of the 2022 warrants. Taken together, the purchase of the 2022 convertible note hedges and sale of the 2022 warrants are intended to reduce dilution from the conversion of the 2022 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2022 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately \$22.95 per share to approximately \$31.18 per share. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2022 convertible note hedges and 2022 warrants are recorded in stockholders' equity, are not accounted for as derivatives and are not remeasured each reporting period. The net costs incurred in connection with the 2022 convertible note hedges and 2022 warrants were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets. The Company has exercised a pro-rata portion of the 2022 convertible note hedges to offset the shares of the Company's Class A common stock issued to settle the conversion of the 2022 Convertible Notes discussed above. The 2022 convertible note hedges were net share settled, and as of December 31, 2021, the Company has received 14.9 million shares of the Company's Class A common stock from the 2017 Counterparties, of which 5.5 million was received in the twelve months ended December 31, 2021.

NOTE 14 - INCOME TAXES

The domestic and foreign components of income (loss) before income taxes are as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Domestic	\$ 417,356	\$ 369,016	\$ 456,335
Foreign	(259,894)	(153,049)	(78,122)
Income before income taxes	<u>\$ 157,462</u>	<u>\$ 215,967</u>	<u>\$ 378,213</u>

The components of the provision for income taxes are as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Current:			
Federal	\$ 201	\$ —	\$ 114
State	3,186	4,016	930
Foreign	5,684	6,862	3,099
Total current provision for income taxes	<u>9,071</u>	<u>10,878</u>	<u>4,143</u>
Deferred:			
Federal	(1,463)	(970)	(777)
State	(524)	(231)	(399)
Foreign	(8,448)	(6,815)	(200)
Total deferred provision for income taxes	<u>(10,435)</u>	<u>(8,016)</u>	<u>(1,376)</u>
Total provision (benefit) for income taxes	<u>\$ (1,364)</u>	<u>\$ 2,862</u>	<u>\$ 2,767</u>

The following is a reconciliation of the statutory federal income tax rate to the Company's effective tax rate:

	Balance at December 31,		
	2021	2020	2019
Tax at federal statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	0.6	0.3	0.1
Foreign rate differential	10.4	4.0	1.4
Other non-deductible expenses	5.4	2.7	0.5
Credits	(83.9)	(34.6)	(13.9)
Other items	1.6	2.2	(0.5)
Change in valuation allowance	290.4	153.9	34.9
Share-based compensation	(275.0)	(155.4)	(45.8)
Change in uncertain tax positions	5.0	2.3	0.5
Sale of Caviar business line	—	—	1.2
Non-deductible executive compensation	5.9	3.6	0.6
Non-deductible acquisition-related costs	5.9	1.3	0.7
Intercompany transactions	3.8	—	—
Cancellation of debt income	8.0	—	—
Total	<u>(0.9)%</u>	<u>1.3 %</u>	<u>0.7 %</u>

The tax effects of temporary differences and related deferred tax assets and liabilities are as follows (in thousands):

	Balance at December 31,	
	2021	2020
Deferred tax assets:		
Capitalized costs	\$ 12,409	\$ 17,994
Accrued expenses	62,707	47,653
Net operating loss carryforwards	1,276,561	962,069
Tax credit carryforwards	378,682	254,789
Share-based compensation	50,431	40,784
Deferred interest	34,475	13,800
Other	7,740	—
Operating lease liability	111,099	107,542
Cryptocurrency investment	17,600	—
Deferred consideration	11,266	—
Convertible notes	70,316	277
Total deferred tax assets	2,033,286	1,444,908
Valuation allowance	(1,887,111)	(1,238,010)
Total deferred tax assets, net of valuation allowance	146,175	206,898
Deferred tax liabilities:		
Property, equipment and intangible assets	(31,775)	(12,784)
Indefinite-lived intangibles	(867)	(352)
Other	—	(1,392)
Unrealized gain on investments	(4,712)	(73,425)
Operating lease right-of-use asset	(108,747)	(111,167)
Total deferred tax liabilities	(146,101)	(199,120)
Net deferred tax assets (liabilities)	\$ 74	\$ 7,778

Realization of deferred tax assets is dependent upon the generation of future taxable income, the timing and amount of which are uncertain. Due to the history of tax losses generated in the U.S. and certain foreign jurisdictions, the Company believes that it is more likely than not that its deferred tax assets in these jurisdictions will not be realized as of December 31, 2021. Accordingly, the Company retained a full valuation allowance on its deferred tax assets in these jurisdictions. The amount of deferred tax assets considered realizable in future periods may change as management continues to reassess the underlying factors it uses in estimating future taxable income. The valuation allowance increased by approximately \$649.1 million and \$378.4 million during the years ended December 31, 2021, and 2020, respectively.

As of December 31, 2021, the Company had \$4,487.1 million of federal, \$5,105.2 million of state, and \$976.9 million of foreign net operating loss carryforwards, which will begin to expire in 2031 for federal and 2022 for state tax purposes. The foreign net operating loss carryforwards will begin to expire in 2023. As of December 31, 2021, the Company had \$299.0 million of federal and \$182.4 million of state research credit carryforwards. The federal credit carryforward will begin to expire in 2029 and the state credit carryforward has no expiration date.

Utilization of the net operating loss carryforwards and credits may be subject to annual limitations due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitations may result in the expiration of net operating losses and credits before they are able to be utilized. The Company does not expect any previous ownership changes, as defined under Section 382 and 383 of the Internal Revenue Code, to result in an ultimate limitation that will materially reduce the total amount of net operating loss carryforwards and credits that can be utilized.

As of December 31, 2021, the Company had unrecognized tax benefits of \$448.4 million, of which \$35.4 million would impact the annual effective tax rate if recognized and the remainder of which would result in a corresponding adjustment to the valuation allowance.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is presented below (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Balance at the beginning of the year	\$ 295,182	\$ 217,574	\$ 198,540
Gross increases and decreases related to prior period tax positions	6,552	(2,615)	(11,571)
Gross increases and decreases related to current period tax positions	124,238	77,235	30,676
Reductions related to lapse of statute of limitations	—	(49)	(149)
Gross increases related to acquisitions	22,420	3,037	78
Balance at the end of the year	<u>\$ 448,392</u>	<u>\$ 295,182</u>	<u>\$ 217,574</u>

The Company recognizes interest and penalties related to income tax matters as a component of income tax expense. The Company had total accrued interest and penalties of \$7.8 million, \$1.4 million, and \$0.5 million related to uncertain tax positions for the years ended December 31, 2021, 2020, and 2019, respectively. It is reasonably possible that over the next 12-month period the Company may experience a decrease in its unrecognized tax benefits as a result of tax examinations or lapses of statute of limitations. The estimated decrease in unrecognized tax benefits may range up to \$10.8 million.

The Company is subject to taxation in the United States and various state and foreign jurisdictions. The Company is currently under examination in California for tax years 2013, 2014, and 2016 and in Texas for tax years 2015-2019. The Company's various tax years starting with 2009 to 2020 remain open in various taxing jurisdictions.

As of December 31, 2021, the Company has not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences resulting from earnings for certain non-U.S. subsidiaries, which are permanently reinvested outside the U.S. Cumulative undistributed earnings for these non-U.S. subsidiaries as of December 31, 2021 are \$0.1 million.

NOTE 15 - STOCKHOLDERS' EQUITY

Convertible Preferred Stock

As of December 31, 2021, the Company is authorized to issue 100,000,000 shares of preferred stock, with a \$0.0000001 par value. No shares of preferred stock are outstanding as of December 31, 2021.

Common Stock

The Company has authorized the issuance of Class A common stock and Class B common stock. Holders of the Company's Class A common stock and Class B common stock are entitled to dividends when, as and if, declared by the Company's board of directors, subject to the rights of the holders of all classes of stock outstanding having priority rights to dividends. As of December 31, 2021, the Company did not declare any dividends. Holders of shares of Class A common stock are entitled to one vote per share, while holders of shares of Class B common stock are entitled to ten votes per share. Shares of the Company's Class B common stock are convertible into an equivalent number of shares of its Class A common stock and generally convert into shares of its Class A common stock upon transfer. The holders of Class A common stock and Class B common stock have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

Class A common stock and Class B common stock are referred to as "common stock" throughout these Notes to the Consolidated Financial Statements, unless otherwise noted. As of December 31, 2021, the Company was authorized to issue 1,000,000,000 shares of Class A common stock and 500,000,000 shares of Class B common stock, each with a par value of \$0.0000001 per share. As of December 31, 2021, there were 403,237,209 shares of Class A common stock and 61,706,578 shares of Class B common stock outstanding. Options and awards granted following the Company's November 2015 initial public offering are related to underlying Class A common stock. Additionally, holders of Class B common stock are able to convert such shares into Class A common stock.

Warrants

In conjunction with the 2022 Convertible Notes offering, the Company sold the 2022 warrants whereby the counterparties have the option to purchase a total of approximately 19.2 million shares of the Company's Class A common stock at a price of \$31.18 per share, and expire on June 1, 2022. None of the warrants were exercised as of December 31, 2021.

In conjunction with the 2023 Convertible Notes offering, the Company sold the 2023 warrants whereby the counterparties have the option to purchase a total of approximately 11.1 million shares of the Company's Class A common stock at a price of \$109.26 per share, and expire on August 15, 2023. None of the warrants were exercised as of December 31, 2021.

In conjunction with the 2025 Convertible Notes offering, the Company sold the 2025 warrants whereby the counterparties have the option to purchase a total of approximately 8.3 million shares of the Company's Class A common stock at a price of \$161.34 per share, and expire on June 1, 2025. None of the warrants were exercised as of December 31, 2021.

In conjunction with the 2026 Convertible Notes offering, the Company sold the 2026 warrants whereby the counterparties have the option to purchase a total of approximately 1.9 million shares of the Company's Class A common stock at a price of \$368.16 per share, and expire on August 1, 2026. None of the warrants were exercised as of December 31, 2021.

In conjunction with the 2027 Convertible Notes offering, the Company sold the 2027 warrants whereby the counterparties have the option to purchase a total of approximately 1.9 million shares of the Company's Class A common stock at a price of \$414.18 per share, and expire on February 1, 2028. None of the warrants were exercised as of December 31, 2021.

Indemnification Arrangements

During the year ended December 31, 2019, the Company received 20,793 shares of its common stock, respectively, that were forfeited back to the Company as indemnification against liabilities related to certain acquired businesses preacquisition matters. The receipt of the forfeited shares was accounted for as equity repurchases. The Company received no shares related to indemnification arrangements in the years ended December 31, 2021 and 2020.

Conversion of Convertible Notes and Exercise of Convertible Note Hedges

In connection with the conversion of certain of the 2022 Convertible Notes, the Company issued 16.5 million shares of Class A common stock, of which 0.4 million shares were issued in the year ended December 31, 2021. The Company also exercised a pro-rata portion of the 2022 convertible note hedges and received 14.9 million shares of Class A common stock from the counterparties to offset the shares issued, of which 5.5 million shares were received in the year ended December 31, 2021.

In connection with the conversion of the 2023 Convertible Notes, the Company issued 5.2 million shares of Class A common stock during the twelve months ended December 31, 2021. The Company also exercised a pro-rata portion of the 2023 convertible note hedges and received 2.0 million shares of Class A common stock from the 2018 Counterparties to offset the shares issued as of December 31, 2021.

Stock Plans

The Company maintains two share-based employee compensation plans: the 2009 Stock Plan (2009 Plan) and the 2015 Equity Incentive Plan (2015 Plan). The 2015 Plan serves as the successor to the 2009 Plan. The 2015 Plan became effective as of November 17, 2015. Outstanding awards under the 2009 Plan continue to be subject to the terms and conditions of the 2009 Plan. Since November 17, 2015, no additional awards have been nor will be granted in the future under the 2009 Plan.

Under the 2015 Plan, shares of the Company's Class A common stock are reserved for the issuance of incentive and nonstatutory stock options (ISOs and NSOs, respectively), restricted stock awards (RSAs), restricted stock units (RSUs), performance shares, and stock bonuses to qualified employees, directors, and consultants. The awards must be granted at a price per share not less than the fair market value at the date of grant. Initially, 30,000,000 shares were reserved under the 2015 Plan and any shares subject to options or other similar awards granted under the 2009 Plan that expire, are forfeited, are repurchased by the Company or otherwise terminate unexercised will become available under the 2015 Plan. The number of shares available for issuance under the 2015 Plan has been and will be increased on the first day of each fiscal year, in an amount equal to the least of (i) 40,000,000 shares, (ii) 5% of the outstanding shares on the last day of the immediately preceding fiscal year, or (iii) such number of shares determined by the administrator of the Plan. The administrator consists of the Board of Directors who then delegates the responsibilities to the Compensation Committee. As of December 31, 2021, the total number of shares subject to stock options, RSAs and RSUs outstanding under the 2015 Plan was 6,447,775 shares, and 118,149,752 shares were available for future issuance.

Under the 2009 Plan, shares of common stock are reserved for the issuance of ISOs or NSOs to eligible participants. The options may be granted at a price per share not less than the fair market value at the date of grant. Options granted generally vest over a 4 year term from the date of grant, at a rate of 25% after one year, then monthly on a straight-line basis thereafter. Generally, options granted are exercisable for up to 10 years from the date of grant. The Plan allows for early exercise of employee stock options whereby the option holder is allowed to exercise prior to vesting. Any unvested shares are subject to repurchase by the Company at their original exercise prices. As of December 31, 2021, the total number of shares subject to stock options, RSAs, and RSUs outstanding under the 2009 Plan was 15,690,278 shares.

A summary of stock option activity for the year ended December 31, 2021 is as follows (in thousands, except share and per share data):

	Number of Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance at December 31, 2020	13,630,882	\$ 17.84	3.84	\$ 2,723,394
Granted	198,771	255.22		
Exercised	(4,900,413)	12.33		
Forfeited	(13,140)	67.50		
Balance at December 31, 2021	<u>8,916,100</u>	\$ 26.09	3.89	\$ 1,226,105
Options exercisable as of December 31, 2021	<u>7,769,686</u>	\$ 16.58	3.30	\$ 1,129,046

Aggregate intrinsic value represents the difference between the Company's estimated fair value of its common stock and the exercise price of outstanding, "in-the-money" options. Aggregate intrinsic value for stock options exercised for the years ended December 31, 2021, 2020, and 2019 was \$1.1 billion, \$1.2 billion, and \$616.3 million, respectively.

The total weighted average grant-date fair value of options granted was \$131.57, \$27.04 and \$30.58 per share for the years ended December 31, 2021, 2020 and 2019, respectively.

Restricted Stock Activity

The Company issues RSAs and RSUs under the 2015 Plan, which typically vest over a term of four years.

Activity related to RSAs and RSUs during the year ended December 31, 2021 is set forth below:

	Number of shares	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2020	15,622,645	\$ 71.71
Granted	5,313,636	247.56
Vested	(6,708,326)	74.97
Forfeited	(1,006,002)	109.48
Unvested as of December 31, 2021	<u>13,221,953</u>	<u>\$ 137.86</u>

The total fair value of shares vested in the year ended December 31, 2021, 2020, and 2019 were \$1.6 billion, \$817.5 million, and \$552.9 million, respectively.

Employee Stock Purchase Plan

On November 17, 2015, the Company's 2015 Employee Stock Purchase Plan (ESPP) became effective. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, (or 25% for offering periods that commence after November 1, 2019), subject to any plan limitations. The ESPP provides for 12-month offering periods. The offering periods are scheduled to start on the first trading day on or after May 15 and November 15 of each year. Each offering period includes two purchase periods, which begin on the first trading day on or after November 15 and May 15, and ending on the last trading day on or before May 15 and November 15, respectively. Employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or the last trading day of the purchase period. The number of shares available for sale under the ESPP will be increased annually on the first day of each fiscal year, equal to the least of (i) 8,400,000 shares, (ii) 1% of the outstanding shares of the Company's common stock as of the last day of the immediately preceding fiscal year, or (iii) such other amount as determined by the administrator. As of December 31, 2021, 6,301,377 shares had been purchased under the ESPP and 22,378,096 shares were available for future issuance under the ESPP.

Share-Based Compensation

The fair value of stock options granted was estimated using the following weighted-average assumptions:

	Year Ended December 31,		
	2021	2020	2019
Dividend yield	— %	— %	— %
Risk-free interest rate	1.08 %	0.41 %	2.37 %
Expected volatility	54.91 %	48.29 %	40.48 %
Expected term (years)	6.02	6.02	6.02

The following table summarizes the effects of share-based compensation on the Company's consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Cost of revenue	\$ 410	\$ 368	\$ 155
Product development	446,596	289,553	210,840
Sales and marketing	57,070	36,627	26,720
General and administrative	103,966	70,952	60,148
Total	<u>\$ 608,042</u>	<u>\$ 397,500</u>	<u>\$ 297,863</u>

The Company recorded \$34.9 million, \$18.2 million, and \$18.9 million of share-based compensation expense related to the Company's 2015 Employee Stock Purchase Plan during the years ended December 31, 2021, 2020 and 2019, respectively.

The Company capitalized \$15.1 million, \$13.9 million, and \$8.2 million of share-based compensation expense related to capitalized software during the years ended December 31, 2021, 2020 and 2019, respectively.

As of December 31, 2021, there was \$1.7 billion of total unrecognized compensation cost related to outstanding stock options and restricted stock awards that are expected to be recognized over a weighted average period of 2.8 years.

NOTE 16 - NET INCOME PER SHARE

Basic net income per share is computed by dividing the net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding adjusted for the dilutive effect of all potential shares of common stock. In the years when the Company reported a net loss, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive items were anti-dilutive.

The following table presents the calculation of basic and diluted net income per share (in thousands, except per share data):

	Year Ended December 31,		
	2021	2020	2019
Net income	\$ 158,826	\$ 213,105	\$ 375,446
Less: Net loss attributable to noncontrolling interests	(7,458)	—	—
Net income attributable to common stockholders	<u>\$ 166,284</u>	<u>\$ 213,105</u>	<u>\$ 375,446</u>
Basic shares:			
Weighted-average common shares outstanding	458,780	443,773	425,728
Weighted-average unvested shares	(348)	(647)	(729)
Weighted-average shares used to compute basic net income per share attributable to common stockholders	<u>458,432</u>	<u>443,126</u>	<u>424,999</u>
Diluted shares:			
Stock options, restricted stock, and employee stock purchase plan	17,849	23,628	30,645
Convertible senior notes	408	—	—
Common stock warrants	25,090	15,413	10,432
Weighted-average shares used to compute diluted net income per share attributable to common stockholders	<u>501,779</u>	<u>482,167</u>	<u>466,076</u>
Net income per share attributable to common stockholders:			
Basic	\$ 0.36	\$ 0.48	\$ 0.88
Diluted	\$ 0.33	\$ 0.44	\$ 0.81

The following potential common shares were excluded from the calculation of diluted net income per share because their effect would have been anti-dilutive for the periods presented (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Stock options, restricted stock, and employee stock purchase plan	7,680	12,509	14,760
Common stock warrants	17,271	22,140	19,820
Convertible senior notes	23,947	25,073	20,305
Total anti-dilutive securities	<u>48,898</u>	<u>59,722</u>	<u>54,885</u>

NOTE 17 - RELATED PARTY TRANSACTIONS

In July 2019, the Company entered into a lease agreement to lease certain office space located in St. Louis, Missouri, from an affiliate of one of the Company's co-founders and current member of its board and directors, Mr. Jim McKelvey, under an operating lease agreement as discussed in Note 18, *Commitments and Contingencies*. The lease commencement date varies by floor beginning in May 2020. The term of the agreement is 15.5 years with total future minimum lease payments over the term of approximately \$42.7 million. As of December 31, 2021, the Company had recorded right-of-use assets of \$20.8 million and associated lease liabilities of \$33.8 million related to this lease arrangement.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Operating and Finance Leases

The Company's operating leases are primarily comprised of office facilities, with the most significant leases relating to its offices in San Francisco, Oakland, St. Louis, and New York. The Company's leases have remaining lease terms of 1 year to 15 years, some of which include options to extend for 5 year terms, or include options to terminate the leases within 1 year. None of the options to extend the leases have been included in the measurement of the right of use asset or the associated lease liability.

In July 2019, the Company entered into a lease arrangement for 226,185 square feet of office space in St. Louis, Missouri, with an affiliate of one of the Company's co-founders, Mr. Jim McKelvey, who is also a Company stockholder and a member of its board of directors, for a term of 15.5 years with options to extend the lease term for two 5 year terms. The Company also has an option to terminate the lease for up to 50% of the leased space any time between January 1, 2024 and December 31, 2026, as well as an option to terminate the lease for the entire property on January 1, 2034. Termination penalties specified in the lease agreement will apply if the Company exercises any of the options to terminate the lease. The lease commencement date varies by floor beginning in May 2020 with total future minimum lease payments over the term of approximately \$42.7 million. Refer to Note 17, *Related Party Transactions* for further details.

There were no finance lease obligations as of December 31, 2021.

The components of lease expense for the year ended December 31, 2021 were as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Fixed operating lease costs	\$ 83,136	\$ 70,254
Variable operating lease costs	15,568	15,625
Short term lease costs	1,953	6,375
Sublease income	(12,210)	(8,594)
Finance lease costs		
Amortization of finance right-of-use assets	—	2,446
Total lease costs	<u>\$ 88,447</u>	<u>\$ 86,106</u>

Other information related to leases was as follows:

	December 31, 2021
Weighted Average Remaining Lease Term:	
Operating leases	8.3 years
Weighted Average Discount Rate:	
Operating leases	4 %

Cash flows related to leases were as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Payments for operating lease liabilities	\$ (77,201)	\$ (46,901)
Cash flows from financing activities:		
Principal payments on finance lease obligation	\$ —	\$ (2,446)
Supplemental Cash Flow Data:		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 63,290	\$ 342,662

Future minimum lease payments under non-cancelable operating leases (with initial lease terms in excess of one year) as of December 31, 2021 are as follows (in thousands):

	Operating
Year:	
2022	\$ 78,304
2023	77,904
2024	59,612
2025	53,839
2026	46,015
Thereafter	224,498
Total	\$ 540,172
Less: amount representing interest	76,407
Less: leases executed but not yet commenced	—
Less: lease incentives and transfer to held for sale	4,721
Total	<u>\$ 459,044</u>

The Company recognized total rental expenses for operating leases of \$80.3 million, \$75.2 million, and \$32.5 million during the years ended December 31, 2021, 2020, and 2019, respectively.

Litigation and regulatory matters

The Company is currently subject to, and may in the future be involved in, various litigation matters, legal claims, investigations, and regulatory proceedings.

We have received Civil Investigative Demands (“CIDs”) from the Consumer Financial Protection Bureau (“CFPB”), as well as from Attorneys General from multiple states, seeking the production of information related to, among other things, Cash App’s handling of customer complaints and disputes. We are cooperating with the CFPB and the state Attorneys General in connection with these CIDs. During the three months ended December 31, 2021, we accrued a non-material loss reserve in connection with the CFPB CIDs. Given the status of these matters, it is not possible to reliably determine the potential liability, if any, or reliably estimate the range of any potential liability in excess of the accrued amounts, that could result from these investigations. The Company regularly assesses the likelihood of adverse outcomes resulting from litigation and regulatory proceedings and adjusts the financial statements based on such assessments. The eventual outcome of these matters could differ materially from the estimates of loss reserves we have currently accrued in the financial statements.

On December 16, 2021, H&R Block, Inc. and HRB Innovations, Inc. (collectively, “HRB”) filed a complaint for trademark infringement against the Company. HRB alleges that the Company’s rebranding to Block, Inc. and use of a green square logo in connection with the Company’s Cash App Taxes product infringe HRB’s registered trademarks and are likely to cause consumer confusion. The Company believes this lawsuit is without merit.

In addition, the Company is subject to various legal matters, investigations, claims, and disputes arising in the ordinary course of business. The Company cannot at this time fairly estimate a reasonable range of exposure, if any, of the potential liability with respect to these matters. Although occasional adverse decisions or settlements may occur, the Company does not believe that the final disposition of any of these other matters will have a material adverse effect on its results of operations, financial position, or liquidity. The Company cannot give any assurance regarding the ultimate outcome of these matters, and their resolution could be material to the Company's operating results for any particular period.

Other contingencies

We are under examination, or may be subject to examination, by several tax authorities. These examinations may lead to proposed adjustments to our taxes or net operating losses with respect to years under examination, as well as subsequent periods. We regularly assess the likelihood of adverse outcomes resulting from tax examinations to determine the adequacy of our provision for direct and indirect taxes. We continue to monitor the progress of ongoing discussions with tax authorities and the effect, if any, on our provision for direct and indirect taxes.

We believe that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in our tax audits are resolved in a manner not consistent with the Company's expectations, we could be required to adjust our provision for direct and indirect taxes in the period such resolution occurs.

NOTE 19 - SEGMENT AND GEOGRAPHICAL INFORMATION

The Company reports its operating segments to reflect the manner in which the Company's CODM reviews and assesses performance. Accordingly, the Company has two reportable segments, which are Square and Cash App. Products and services that are not assigned to a specific reportable segment including but not limited to TIDAL, TBD, and Spiral are aggregated and presented within a general corporate and other category. Disclosures regarding the Company's reportable segments for prior periods have been adjusted to conform to the current period presentation. Square and Cash App are defined as follows:

- Square includes managed payment services, software solutions, hardware, and financial services offered to sellers, excluding those that involve Cash App.
- Cash App includes the financial tools available to individuals within the mobile Cash App, including peer-to-peer payments, bitcoin and stock investments. Cash App also includes Cash Card which is linked to customer stored balances that customers can use to pay for purchases or withdraw funds from an ATM.

The primary financial measures used by the CODM to evaluate performance and allocate resources are revenue and gross profit. The CODM does not evaluate performance or allocate resources based on segment asset data, and therefore such information is not included.

Information on the reportable segments revenue and segment gross profit are as follows (in thousands):

	Year Ended December 31, 2021			
	Cash App	Square	Corporate and Other (i)	Total
Revenue				
Transaction-based revenue	\$ 409,844	\$ 4,383,302	\$ —	\$ 4,793,146
Subscription and services-based revenue	1,893,008	664,367	152,356	2,709,731
Hardware revenue	—	145,679	—	145,679
Bitcoin revenue	10,012,647	—	—	10,012,647
Segment revenue	12,315,499	5,193,348	152,356	17,661,203
Segment gross profit	\$ 2,070,847	\$ 2,316,671	\$ 32,305	\$ 4,419,823

	Year Ended December 31, 2020			
	Cash App	Square	Corporate and Other (i)	Total
Revenue				
Transaction-based revenue	\$ 233,747	\$ 3,061,231	\$ —	\$ 3,294,978
Subscription and services-based revenue	1,163,096	376,307	—	1,539,403
Hardware revenue	—	91,654	—	91,654
Bitcoin revenue	4,571,543	—	—	4,571,543
Segment revenue	5,968,386	3,529,192	—	9,497,578
Segment gross profit	\$ 1,225,578	\$ 1,507,831	\$ —	\$ 2,733,409

	Year Ended December 31, 2019			
	Cash App	Square	Corporate and Other (i)	Total
Revenue				
Transaction-based revenue	\$ 72,865	\$ 3,008,209	\$ —	\$ 3,081,074
Subscription and services-based revenue	516,269	369,274	—	885,543
Hardware revenue	—	84,505	—	84,505
Bitcoin revenue	516,465	—	—	516,465
Segment revenue	1,105,599	3,461,988	—	4,567,587
Segment gross profit	\$ 457,668	\$ 1,390,427	\$ —	\$ 1,848,095

(i) Corporate and other represents results related to products and services that are not assigned to a specific reportable segment. Comparable prior period amounts have not been disclosed as they were not material.

The amounts in the tables above exclude the Caviar business, a food ordering and delivery platform business, which was sold in the year ended December 31, 2019. A reconciliation of total segment revenues, as indicated above, to the Company's consolidated revenues is as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Total segment revenue	\$ 17,661,203	\$ 9,497,578	\$ 4,567,587
Caviar revenue	—	—	145,913
Total net revenue	\$ 17,661,203	\$ 9,497,578	\$ 4,713,500

A reconciliation of total segment gross profit to the Company's income before applicable income taxes is as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Total segment gross profit	\$ 4,419,823	\$ 2,733,409	\$ 1,848,095
Add: Caviar gross profit	—	—	41,590
Total reported operating gross profit	4,419,823	2,733,409	1,889,685
Less: Product development	1,399,079	885,681	674,165
Less: Sales and marketing	1,617,189	1,109,670	625,126
Less: General and administrative	983,326	579,203	436,878
Less: Transaction and loan losses	187,991	177,670	126,959
Less: Bitcoin impairment losses	71,126	—	—
Less: Gain on sale of asset group	—	—	(373,445)
Less: Interest expense, net	33,124	56,943	21,516
Less: Other expense (income), net	(29,474)	(291,725)	273
Income before applicable income taxes	<u>\$ 157,462</u>	<u>\$ 215,967</u>	<u>\$ 378,213</u>

Revenue

Revenue by geography is based on the addresses of the sellers or customers. The following table sets forth revenue by geographic area (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Revenue			
United States	\$ 17,077,532	\$ 9,186,440	\$ 4,472,473
International	583,671	311,138	241,027
Total net revenue	<u>\$ 17,661,203</u>	<u>\$ 9,497,578</u>	<u>\$ 4,713,500</u>

No individual country from the international markets contributed in excess of 10% of total revenue for the years ended December 31, 2021, 2020, and 2019.

Long-Lived Assets

The following table sets forth long-lived assets by geographic area (in thousands):

	December 31,	
	2021	2020
Long-lived assets		
United States	\$ 1,426,103	\$ 1,086,379
International	81,768	58,342
Total long-lived assets	<u>\$ 1,507,871</u>	<u>\$ 1,144,721</u>

Assets by reportable segment were not included, as this information is not reviewed by the CODM to make operating decisions or allocate resources, and is reviewed on a consolidated basis.

NOTE 20 - SUPPLEMENTAL CASH FLOW INFORMATION

The supplemental disclosures of cash flow information consist of the following (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Supplemental Cash Flow Data:			
Cash paid for interest	\$ 40,446	\$ 3,857	\$ 5,677
Cash paid for income taxes	10,041	6,001	2,744
Supplemental disclosures of non-cash investing and financing activities:			
Right-of-use assets obtained in exchange for operating lease obligations	63,290	342,662	40,555
Purchases of property and equipment in accounts payable and accrued expenses	15,071	(3,975)	(419)
Unpaid business combination purchase price	50,079	8,974	8,411
Non-cash proceeds from sale of asset group	—	—	100,000
Fair value of common stock issued related to business combination	(28,735)	(35,318)	—
Recovery of common stock in connection with indemnification settlement agreement	—	—	789
Fair value of common stock issued to settle the conversion of senior notes	(1,258,562)	(1,398,829)	—
Fair value of shares received to settle senior note hedges	1,800,933	369,015	—
Bitcoin lent to third party borrowers	6,084	—	—

NOTE 21 - SUBSEQUENT EVENTS

The Company completed the acquisition of Afterpay on January 31, 2022 as discussed in Note 8 *Acquisitions*. On January 28, 2022, the Company entered into a fifth amendment to the Credit Agreement to permit certain existing obligations of Afterpay and its subsidiaries to remain outstanding as of and after the completion of the Afterpay acquisition. On February 23, 2022, the Company entered into a sixth amendment to the Credit Agreement to increase the revolving commitments under the 2020 Credit Facility by \$100 million to an aggregate principal amount of up to \$600 million.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria established in “Internal Control - Integrated Framework” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2021. The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report which appears herein.

We acquired TIDAL on April 30, 2021, and our management excluded from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021, as TIDAL’s internal control over financial reporting is associated with less than 2% of total assets, 1% of total net revenue and 1% of total gross profit within the consolidated financial statements as of and for the year ended December 31, 2021.

Item 9B. OTHER INFORMATION

Disclosure Pursuant to Item 1.01 of Form 8-K: Entry into a Material Definitive Agreement.

On February 23, 2022, we entered into the Sixth Amendment to Revolving Credit Agreement, among Block, the lenders that are party thereto, and Goldman Sachs Bank USA, as administrative agent (the “Revolver Amendment”). The Revolver Amendment amends the Revolving Credit Agreement, dated as of May 1, 2020 (as amended, modified, or supplemented, the “Amended Credit Agreement”), among Block, the lenders that are party thereto, and Goldman Sachs Bank USA, as Administrative Agent, to, among other things, provide for a new tranche of unsecured revolving loan commitments in an aggregate principal amount of up to \$100 million (the “Tranche B Loans”). With the addition of the Tranche B Loans, the total revolving commitments under the Amended Credit Agreement has been increased to an aggregate principal amount of up to \$600 million.

Under the Amended Credit Agreement, the Tranche B Loans bear interest, at our option, at an annual rate based on the forward-looking term rate based on the secured overnight financing rate (“Term SOFR”) or a base rate. Tranche B Loans based on Term SOFR shall bear interest at a rate equal to Term SOFR plus a margin of between 1.25% and 1.75%, depending on our total net leverage ratio. Tranche B Loans based on the base rate shall bear interest at a rate based on the highest of the prime rate, the federal funds rate plus 0.50%, and Term SOFR with a tenor of one-month plus 1.00%, in each case, plus a margin ranging from 0.25% to 0.75%, depending on our total net leverage ratio. We are required to pay a commitment fee equal to 0.15% per annum on the undrawn portion available under the revolving credit facility. Currently, the total revolving commitments of up to \$600 million remain undrawn.

The foregoing description of the Revolver Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Revolver Amendment, a copy of which is filed as Exhibit 10.21 hereto and incorporated herein by reference.

Disclosure Pursuant to Item 2.03 of Form 8-K: Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth pursuant to Item 1.01 of Form 8-K above is incorporated herein by reference.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be included under the captions "Board of Directors and Corporate Governance" and "Executive Officers" in our Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021 (Proxy Statement) and is incorporated herein by reference. The information required by this item regarding delinquent filers pursuant to Item 405 of Regulation S-K will be included under the caption "—Delinquent Section 16(a) Reports" in the Proxy Statement and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

The information required by this item will be included under the captions "Board of Directors and Corporate Governance—Director Compensation," "Executive Compensation," and "Board of Directors and Corporate Governance—Compensation Committee Interlocks and Insider Participation" in the Proxy Statement and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be included under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the Proxy Statement and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be included under the captions "Certain Relationships, Related Party and Other Transactions" and "Board of Directors and Corporate Governance—Director Independence" in the Proxy Statement and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be included under the caption "Ratification Of Appointment Of Independent Registered Public Accounting Firm" in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements:

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes herein.

(3) Exhibits

The documents listed in the following Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K):

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Reorganization, dated as of April 26, 2018, by and among the Registrant, Weebly, Inc., Forest Merger Sub, Inc., Forest Merger LLC and Shareholder Representative Services.	8-K	001-37622	2.1	April 26, 2018
2.2	Scheme Implementation Deed, dated as of August 2, 2021, by and among Square, Inc., Lanai (AU) 2 Pty Ltd, and Afterpay Limited.	8-K	001-37622	2.1	August 2, 2021
2.3	Amending Deed, dated as of December 7, 2021, by and among Block, Inc., Lanai (AU) 2 Pty Ltd and Afterpay Limited.	8-K	001-37622	2.1	December 7, 2021
3.1*	Amended and Restated Certificate of Incorporation of the Registrant, as amended.				
3.2	Second Amended and Restated Bylaws of the Registrant.	8-K	001-37622	3.2	December 10, 2021
4.1	Form of Class A common stock certificate of the Registrant.	S-1/A	333-207411	4.1	November 6, 2015
4.2	Fifth Amended and Restated Investors’ Rights Agreement among the Registrant and certain holders of its capital stock, dated as of September 9, 2014.	S-1	333-207411	4.2	October 14, 2015
4.3	Indenture, dated March 6, 2017, between the Registrant and The Bank of New York Mellon Trust Company, N.A.	8-K	001-37622	4.1	March 6, 2017
4.4	Form of 0.375% Convertible Senior Notes due 2022 (included in Exhibit 4.3).	8-K	001-37622	4.2	March 6, 2017
4.5	Indenture, dated May 25, 2018, by and between the Registrant and The Bank of New York Mellon Trust Company, N.A.	8-K	001-37622	4.1	May 25, 2018
4.6	Form of 0.50% Convertible Senior Note due 2023 (included in Exhibit 4.5).	8-K	001-37622	4.2	May 25, 2018
4.7	Indenture, dated March 5, 2020, between the Registrant and The Bank of New York Mellon Trust Company, N.A.	8-K	001-37622	4.1	March 5, 2020
4.8	Form of 0.125% Convertible Senior Note due 2025 (included in Exhibit 4.7).	8-K	001-37622	4.2	March 5, 2020
4.9	Indenture, dated November 13, 2020, between the Registrant and The Bank of New York Mellon Trust Company, N.A. (2026 Convertible Notes).	8-K	001-37622	4.1	November 13, 2020
4.10	Form of 0% Convertible Senior Note due 2026 (included in Exhibit 4.9).	8-K	001-37622	4.2	November 13, 2020
4.11	Indenture, dated November 13, 2020, between the Registrant and The Bank of New York Mellon Trust Company, N.A. (2027 Convertible Notes).	8-K	001-37622	4.3	November 13, 2020

Incorporated by Reference

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
4.12	Form of 0.25% Convertible Senior Note due 2027 (included in Exhibit 4.11).	8-K	001-37622	4.4	November 13, 2020
4.13	Indenture, dated as of May 20, 2021, by and between Square, Inc. and Bank of New York Mellon Trust Company, N.A., as Trustee (2.75% Senior Notes due 2026).	8-K	001-37622	4.1	May 20, 2021
4.14	Form of 2.75% Senior Note due 2026 (included in Exhibit 4.13).	8-K	001-37622	4.2	May 20, 2021
4.15	Indenture, dated as of May 20, 2021 by and between Square, Inc. and Bank of New York Mellon Trust Company, N.A., as Trustee (3.50% Senior Notes due 2031).	8-K	001-37622	4.3	May 20, 2021
4.16	Form of 3.50% Senior Note due 2031 (included in Exhibit 4.15).	8-K	001-37622	4.4	May 20, 2021
4.17	Trust Deed, dated as of March 12, 2021, by and between Afterpay and the Hongkong and Shanghai Banking Corporation Limited as trustee.	8-K	001-37622	4.1	January 31, 2022
4.18	Description of Class A Common Stock.	10-K	001-37622	4.7	February 26, 2020
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1/A	333-207411	10.1	November 6, 2015
10.2.1+*	Block, Inc. 2015 Equity Incentive Plan, as amended and restated				
10.2.2+*	Form of Restricted Stock Unit Award and Restricted Stock Unit Agreement.				
10.2.3+*	Form of Restricted Stock Award and Restricted Stock Agreement.				
10.2.4+*	Form of Stock Option Grant and Stock Option Agreement.				
10.3+*	Block, Inc. 2015 Employee Stock Purchase Plan, as amended and restated.				
10.4+	Square, Inc. 2009 Stock Plan and related form agreements.	S-1	333-207411	10.4	October 14, 2015
10.5+	Square, Inc. Executive Incentive Compensation Plan.	S-1	333-207411	10.5	October 14, 2015
10.6+*	Block, Inc. Outside Director Compensation Policy, as amended and restated.				
10.7+	Form of Change of Control and Severance Agreement between the Registrant and certain of its executive officers.	S-1	333-207411	10.7	October 14, 2015
10.8+*	Form of Change of Control and Severance Agreement between the Registrant and certain of its executive officers entered into on and after January 27, 2020.				
10.9+	Offer Letter between the Registrant and Jack Dorsey, dated as of March 7, 2016.	10-K	001-37622	10.8	March 10, 2016
10.10+	Offer Letter between the Registrant and Alyssa Henry, dated as of October 1, 2015.	S-1/A	333-207411	10.12	November 6, 2015
10.11+	Offer Letter between the Registrant and Amrita Ahuja, dated as of December 16, 2018.	8-K	001-37622	10.1	January 4, 2019
10.15	Revolving Credit Agreement dated as of May 1, 2020 among the Registrant, the Lenders Party Thereto, and Goldman Sachs Bank USA, as Administrative Agent.	8-K	001-37622	10.1	May 6, 2020
10.16	First Amendment to Credit Agreement, dated as of May 28, 2020, among the Registrant, the Lenders Party Thereto, and Goldman Sachs Bank USA, as Administrative Agent.	8-K	001-37622	10.1	June 3, 2020
10.17	Second Amendment to Credit Agreement, dated as of November 9, 2020, among the Registrant, the Lenders Party Thereto, and Goldman Sachs Bank USA, as Administrative Agent.	8-K	001-37622	10.6	November 10, 2020
10.18	Third Amendment to Credit Agreement, dated as of January 28, 2021, by and among the Registrant, the Lenders party thereto, and Goldman Sachs Bank USA, as administrative agent.	8-K	001-37622	10.1	February 3, 2021
10.19	Fourth Amendment to Credit Agreement, dated as of May 25, 2021, by and among Square, Inc., the lenders party thereto, and Goldman Sachs Bank USA, as administrative agent.	8-K	001-37622	10.1	May 26, 2021
10.20	Fifth Amendment to Credit Agreement, dated as of January 28, 2022, by and among Block, Inc., the lenders party thereto, and Goldman Sachs Bank USA, as administrative agent.	8-K	001-37622	10.1	January 31, 2022

Incorporated by Reference

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
10.21*	Sixth Amendment to Credit Agreement, dated as of February 23, 2022, by and among Block, Inc., the lenders party thereto, and Goldman Sachs Bank USA, as administrative agent.				
10.22#	Master Development and Supply Agreement by and between the Registrant and TDK Corporation, dated as of October 1, 2013.	S-1	333-207411	10.15	October 14, 2015
10.23#	Master Manufacturing Agreement by and between the Registrant and Cheng Uei Precision Industry Co., Ltd., dated as of June 27, 2012.	S-1	333-207411	10.16	October 14, 2015
10.24#	ASIC Development and Supply Agreement by and between the Registrant, Semiconductor Components Industries, LLC (d/b/a ON Semiconductor) and ON Semiconductor Trading, Ltd., dated as of March 25, 2013.	S-1	333-207411	10.17	October 14, 2015
10.25	Amendment 1 to ASIC Development and Supply Agreement, dated as of January 15, 2019.	10-K	001-37622	10.23	February 27, 2019
10.26	Paycheck Protection Program Liquidity Facility Letter Agreement, dated as of June 2, 2020.	8-K	001-37622	10.2	June 3, 2020
10.27	Paycheck Protection Program Liquidity Facility Letter of Agreement, dated as of January 29, 2021.	8-K	001-37622	10.2	February 3, 2021
10.28	Form of Convertible Note Hedge Confirmation.	8-K	001-37622	10.2	March 6, 2017
10.29	Form of Warrant Confirmation.	8-K	001-37622	10.3	March 6, 2017
10.30	Form of Convertible Note Hedge Confirmation.	8-K	001-37622	10.2	May 25, 2018
10.31	Form of Warrant Confirmation.	8-K	001-37622	10.3	May 25, 2018
10.32	Form of Convertible Note Hedge Confirmation.	8-K	001-37622	10.2	March 5, 2020
10.33	Form of Warrant Confirmation.	8-K	001-37622	10.3	March 5, 2020
10.34	Form of Convertible Note Hedge Confirmation (2026 Convertible Notes).	8-K	001-37622	10.2	November 10, 2020
10.35	Form of 2026 Warrant Confirmation.	8-K	001-37622	10.4	November 10, 2020
10.36	Form of Convertible Note Hedge Confirmation (2027 Convertible Notes).	8-K	001-37622	10.3	November 10, 2020
10.37	Form of 2027 Warrant Confirmation.	8-K	001-37622	10.5	November 10, 2020
21.1*	List of subsidiaries of the Registrant.				
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document..				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

* Filed herewith.

+ Indicates management contract or compensatory plan.

- # The Registrant has omitted portions of the relevant exhibit and filed such exhibit separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended.
- † The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 24, 2022

BLOCK, INC.

By: /s/ Jack Dorsey
Jack Dorsey
President, Chief Executive Officer, and Chairman

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Jack Dorsey, Amrita Ahuja and Sivan Whiteley, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their, his or her substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ Jack Dorsey</u> Jack Dorsey	President, Chief Executive Officer, and Chairman (Principal Executive Officer)	February 24, 2022
<u>/s/ Amrita Ahuja</u> Amrita Ahuja	Chief Financial Officer (Principal Financial Officer)	February 24, 2022
<u>/s/ Ajmere Dale</u> Ajmere Dale	Chief Accounting Officer (Principal Accounting Officer)	February 24, 2022
<u>/s/ Roelof Botha</u> Roelof Botha	Director	February 24, 2022
<u>/s/ Amy Brooks</u> Amy Brooks	Director	February 24, 2022
<u>/s/ Shawn Carter</u> Shawn Carter	Director	February 24, 2022
<u>/s/ Paul Deighton</u> Paul Deighton	Director	February 24, 2022
<u>/s/ Randy Garutti</u> Randy Garutti	Director	February 24, 2022
<u>/s/ Jim McKelvey</u> Jim McKelvey	Director	February 24, 2022
<u>/s/ Mary Meeker</u> Mary Meeker	Director	February 24, 2022
<u>/s/ Anna Patterson</u> Anna Patterson	Director	February 24, 2022
<u>/s/ Sharon Rothstein</u> Sharon Rothstein	Director	February 24, 2022
<u>/s/ Lawrence Summers</u> Lawrence Summers	Director	February 24, 2022
<u>/s/ David Viniar</u> David Viniar	Director	February 24, 2022
<u>/s/ Darren Walker</u> Darren Walker	Director	February 24, 2022

MAJOR SUBSIDIARIES OF BLOCK, INC.*

Subsidiary name	Jurisdiction of incorporation
Aspiro AB	Sweden
Project Panther US, LLC	Delaware, U.S.
Square Canada, Inc.	Canada
Square Capital, LLC	Delaware, U.S.
Square Financial Services, Inc.	Utah, U.S.
Square Technologies, Inc.	Canada
Squareup Europe Ltd.	United Kingdom
Squareup International Limited	Ireland
Tidal Music AS	Norway
Verse Payments Lithuania UAB	Lithuania

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Block, Inc. are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT OF 1934 RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jack Dorsey, certify that:

1. I have reviewed this Annual Report on Form 10-K of Block, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2022

By: /s/ Jack Dorsey
Jack Dorsey
President, Chief Executive Officer, and Chairman

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jack Dorsey, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Block, Inc. for the fiscal year ended December 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Block, Inc.

Date: February 24, 2022

By: /s/ Jack Dorsey
Jack Dorsey
President, Chief Executive Officer, and Chairman

I, Amrita Ahuja, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Block, Inc. for the fiscal year ended December 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Block, Inc.

Date: February 24, 2022

By: /s/ Amrita Ahuja
Amrita Ahuja
Chief Financial Officer