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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

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	**80-0429876**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

Address Not Applicable[1]
(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:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.0000001 par value per share	SQ	New York Stock Exchange

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 ☐

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 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 ☐

[1] We do not designate a headquarters location as we have adopted a distributed work model.

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 28, 2023, the number of shares of the registrant's Class A common stock outstanding was 544,259,729 and the number of shares of the registrant's Class B common stock outstanding was 60,635,933.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q include, but are not limited to, statements about our future financial and operating performance, 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 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, our expectations regarding product launches, trends in our markets and the continuation of such trends, 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 these 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q. 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 us at the time of filing this Quarterly Report on Form 10-Q and are not guarantees of future performance. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

Part I—Financial Information

Item 1. Financial Statements

BLOCK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 31, 2023	December 31, 2022
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 5,061,091	$ 4,544,202
Investments in short-term debt securities	1,024,110	1,081,851
Settlements receivable	1,897,835	2,416,324
Customer funds	3,800,473	3,180,324
Consumer receivables, net	1,486,511	1,871,160
Loans held for sale	476,754	474,036
Safeguarding asset related to bitcoin held for other parties	726,495	428,243
Other current assets	1,427,210	1,627,265
Total current assets	15,900,479	15,623,405
Goodwill	11,919,274	11,966,761
Acquired intangible assets, net	1,949,086	2,014,034
Investments in long-term debt securities	412,747	573,429
Operating lease right-of-use assets	344,229	373,172
Other non-current assets	811,512	813,539
Total assets	**$ 31,337,327**	**$ 31,364,340**
Liabilities and Stockholders' Equity		
Current liabilities:		
Customers payable	$ 5,749,857	$ 5,548,656
Settlements payable	397,977	462,505
Accrued expenses and other current liabilities	1,066,203	1,073,516
Current portion of long-term debt (Note 13)	460,539	460,356
Warehouse funding facilities, current	305,195	461,240
Safeguarding obligation liability related to bitcoin held for other parties	726,495	428,243
Total current liabilities	8,706,266	8,434,516
Warehouse funding facilities, non-current	384,998	877,066
Long-term debt (Note 13)	4,112,356	4,109,829
Operating lease liabilities, non-current	329,196	357,419
Other non-current liabilities	329,626	334,155
Total liabilities	**13,862,442**	**14,112,985**
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, $0.0000001 par value: 100,000 shares authorized at March 31, 2023 and December 31, 2022. None issued and outstanding at March 31, 2023 and December 31, 2022.	—	—
Class A common stock, $0.0000001 par value: 1,000,000 shares authorized at March 31, 2023 and December 31, 2022; 542,757 and 539,408 issued and outstanding at March 31, 2023 and December 31, 2022, respectively.	—	—
Class B common stock, $0.0000001 par value: 500,000 shares authorized at March 31, 2023 and December 31, 2022; 60,636 and 60,652 issued and outstanding at March 31, 2023 and December 31, 2022, respectively.	—	—
Additional paid-in capital	18,607,008	18,314,681
Accumulated other comprehensive loss	(572,561)	(523,090)
Accumulated deficit	(585,550)	(568,712)
Total stockholders' equity attributable to common stockholders	**17,448,897**	**17,222,879**
Noncontrolling interests	25,988	28,476
Total stockholders' equity	17,474,885	17,251,355
Total liabilities and stockholders' equity	**$ 31,337,327**	**$ 31,364,340**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2023	**2022**
Revenue:		
Transaction-based revenue	$ 1,422,705	$ 1,232,969
Subscription and services-based revenue	1,366,224	959,557
Hardware revenue	37,451	37,326
Bitcoin revenue	2,163,751	1,730,793
Total net revenue	4,990,131	3,960,645
Cost of revenue:		
Transaction-based costs	820,787	716,236
Subscription and services-based costs	264,092	182,857
Hardware costs	58,785	63,664
Bitcoin costs	2,113,375	1,687,459
Amortization of acquired technology assets	18,508	15,469
Total cost of revenue	3,275,547	2,665,685
Gross profit	1,714,584	1,294,960
Operating expenses:		
Product development	626,937	458,224
Sales and marketing	496,011	501,562
General and administrative	432,825	444,149
Transaction, loan, and consumer receivable losses	127,896	91,150
Amortization of customer and other acquired intangible assets	37,087	26,664
Total operating expenses	1,720,756	1,521,749
Operating loss	(6,172)	(226,789)
Interest expense (income), net	(3,161)	15,748
Other expense (income), net	18,371	(33,472)
Loss before income tax	(21,382)	(209,065)
Benefit for income taxes	(2,056)	(1,702)
Net loss	(19,326)	(207,363)
Less: Net loss attributable to noncontrolling interests	(2,488)	(3,164)
Net loss attributable to common stockholders	**$ (16,838)**	**$ (204,199)**
Net loss per share attributable to common stockholders:		
Basic	$ (0.03)	$ (0.38)
Diluted	$ (0.03)	$ (0.38)
Weighted-average shares used to compute net loss per share attributable to common stockholders:		
Basic	602,234	541,435
Diluted	602,234	541,435

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2023	**2022**
Net loss	$ (19,326)	$ (207,363)
Net foreign currency translation adjustments [i]	(63,881)	264,746
Net unrealized gain (loss) on marketable debt securities	14,410	(29,954)
Total comprehensive income (loss)	**$ (68,797)**	**$ 27,429**

[i] Includes foreign currency translation adjustments related to goodwill of $47.6 million and $220.7 million for March 31, 2023 and March 31, 2022, respectively.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Class A and B common stock		Additional paid-in	Accumulated other comprehensive	Accumulated	Noncontrolling	Total stockholders’
	Shares	Par value	capital	loss	deficit	interests	equity
Balance at December 31, 2022	600,060	$ —	$ 18,314,681	$ (523,090)	$ (568,712)	$ 28,476	$ 17,251,355
Net loss	—	—	—	—	(16,838)	(2,488)	(19,326)
Shares issued in connection with employee stock plans	3,333	—	6,825	—	—	—	6,825
Change in other comprehensive loss	—	—	—	(49,471)	—	—	(49,471)
Share-based compensation	—	—	285,502	—	—	—	285,502
Balance at March 31, 2023	603,393	$ —	$ 18,607,008	$ (572,561)	$ (585,550)	$ 25,988	$ 17,474,885

	Class A and B common stock		Additional paid-in	Accumulated other comprehensive	Accumulated	Noncontrolling	Total stockholders’
	Shares	Par value	capital	income (loss)	deficit	interests	equity
Balance at December 31, 2021	464,944	$ —	$ 3,317,255	$ (16,435)	$ (27,965)	$ 40,734	$ 3,313,589
Net loss	—	—	—	—	(204,199)	(3,164)	(207,363)
Shares issued in connection with employee stock plans	2,120	—	4,093	—	—	—	4,093
Change in other comprehensive income	—	—	—	234,792	—	—	234,792
Share-based compensation	—	—	279,354	—	—	—	279,354
Tax withholding related to vesting of restricted stock units	(16)	—	(2,456)	—	—	—	(2,456)
Issuance of common stock in connection with business combination	113,617	—	13,827,929	—	—	—	13,827,929
Issuance of common stock in conjunction with the conversion of convertible notes	20	—	454	—	—	—	454
Exercise of bond hedges in conjunction with the conversion of convertible notes	(1,189)	—	—	—	—	—	—
Balance at March 31, 2022	579,496	$ —	$ 17,426,629	$ 218,357	$ (232,164)	$ 37,570	$ 17,450,392

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (19,326)	$ (207,363)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	93,173	70,056
Amortization of discounts and premiums and other non-cash adjustments	(85,314)	(64,351)
Non-cash lease expense	24,333	22,696
Share-based compensation	279,592	275,423
Loss (gain) on revaluation of equity investments	14,885	(49,741)
Transaction, loan, and consumer receivable losses	127,896	91,150
Change in deferred income taxes	1,353	(7,653)
Changes in operating assets and liabilities:		
Settlements receivable	452,868	(220,361)
Purchases and originations of loans	(1,834,442)	(951,665)
Proceeds from payments and forgiveness of loans	1,753,515	1,112,266
Customers payable	(418,948)	136,474
Settlements payable	(64,528)	10,360
Other assets and liabilities	(30,656)	12,132
Net cash provided by operating activities	294,401	229,423
Cash flows from investing activities:		
Purchases of marketable debt securities	(56,761)	(209,981)
Proceeds from maturities of marketable debt securities	273,771	262,559
Proceeds from sale of marketable debt securities	15,697	178,352
Proceeds from maturities of marketable debt securities from customer funds	—	73,000
Proceeds from sale of marketable debt securities from customer funds	—	316,576
Payments from originations of consumer receivables	(4,911,509)	(1,946,468)
Proceeds from principal repayments and sales of consumer receivables	5,339,800	1,943,554
Purchases of property and equipment	(32,253)	(41,187)
Purchases of other investments	(4,821)	(16,495)
Business combinations, net of cash acquired	—	570,703
Net cash provided by investing activities	623,924	1,130,613

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2023	**2022**
Cash flows from financing activities:		
Repayments of PPP Liquidity Facility advances	(5,077)	(372,897)
Payments to redeem convertible notes	—	(1,071,788)
Proceeds from warehouse facilities borrowings	47,975	183,440
Repayments of warehouse facilities borrowings	(692,556)	(90,491)
Proceeds from the exercise of stock options and purchases under the employee stock purchase plan	6,825	4,093
Payments for tax withholding related to vesting of restricted stock units	—	(2,456)
Net increase in interest-bearing deposits	13,601	21,633
Change in customer funds, restricted from use in the Company's operations	620,149	359,910
Net cash used in financing activities	(9,083)	(968,556)
Effect of foreign exchange rate on cash and cash equivalents	1,033	(948)
Net increase in cash, cash equivalents, restricted cash, and customer funds	910,275	390,532
Cash, cash equivalents, restricted cash, and customer funds, beginning of the period	8,435,906	6,975,090
Cash, cash equivalents, restricted cash, and customer funds, end of the period	**$ 9,346,181**	**$ 7,365,622**
Reconciliation of cash, cash equivalents, restricted cash, and customer funds:		
Cash and cash equivalents	$ 5,061,091	$ 3,993,565
Short-term restricted cash	414,267	109,450
Long-term restricted cash	70,350	71,702
Customer funds cash and cash equivalents	3,800,473	3,190,905
Total	$ 9,346,181	$ 7,365,622

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Block, Inc. (together with its subsidiaries, "Block" or the "Company") creates tools that empower businesses, sellers, and individuals to participate in the economy. Block is comprised of two reportable segments, Square and Cash App. Square is a cohesive commerce ecosystem that helps sellers start, run, and grow their businesses, including enabling sellers to accept card payments, provide reporting and analytics, and facilitating next-day settlement. Square's point-of-sale software and other business services help sellers manage inventory, locations, and employees; access financial services; engage buyers; build a website or online store; and grow sales. Cash App is an ecosystem of financial products and services to help individuals manage their money by providing financial tools that allow individuals to store, send, receive, spend, save and invest their money. Cash App seeks to redefine the world's relationship with money by making it more relatable, instantly available, and universally accessible.

On January 31, 2022, the Company completed the acquisition of Afterpay Limited ("Afterpay"), a global buy now pay later ("BNPL") platform, 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 globally. The Company does not designate a headquarters location as it adopted a distributed work model in 2021.

Basis of Presentation

The accompanying interim condensed consolidated financial statements of the Company are unaudited. These interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The December 31, 2022 condensed consolidated balance sheet was derived from the audited financial statements as of that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The accompanying unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments of a normal recurring nature considered necessary to state fairly the Company's consolidated financial position, results of operations, comprehensive income, and cash flows for the interim periods. The condensed consolidated financial statements include the financial statements of Block and its wholly-owned and majority-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Minority interests are recorded as a noncontrolling interest, which is reported as a component of stockholders' equity on the condensed consolidated balance sheets. The interim results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023, or for any other future annual or interim period.

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements and related notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Use of Estimates

The preparation of the Company's condensed 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 condensed 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, determination of allowance for loan loss reserves for loans held for investment, determination of allowance for credit losses for consumer receivables, pre-acquisition contingencies associated with business combinations, allocation of acquired goodwill to segments, 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.

The Company's estimates of valuation of loans held for sale, allowance for credit losses associated with consumer receivables, and accrued transaction losses are based on historical experience, adjusted for market data relevant to the current economic environment. The Company will continue to update its estimates as developments occur and additional information is obtained. Refer to Note 5, *Fair Value Measurements* for further details on amortized cost over fair value of the loans, Note 6, *Consumer Receivables, net* for further details on consumer receivables, and Note 10, *Other Consolidated Balance Sheet Components (Current)* for further details on transaction losses.

Concentration of Credit Risk

For the three months ended March 31, 2023 and March 31, 2022, the Company had no customer that accounted for greater than 10% of total net revenue.

The Company had three third-party payment processors that represented approximately 41%, 29%, and 10% of settlements receivable as of March 31, 2023. As of December 31, 2022, there were two parties that represented approximately 54% and 31% of settlements receivable. In both periods, all other third-party payment processors were insignificant. Certain of the Company's products are reliant on third-party service providers such as partner banks, card issuers, and payment service providers. The Company's relationships with third-party service providers may result in operational concentration risks for some of these products.

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, consumer receivables, loans held for sale, and loans held for investment. To mitigate the risk of concentration associated with cash and cash equivalents, as well as restricted cash, funds are held with creditworthy institutions and, at certain times, temporarily swept into insured programs overnight to reduce single firm concentration risk. Amounts on deposit may 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 and consumer receivables is partially mitigated by credit evaluations that are performed prior to facilitating the offering of loans and receivables and ongoing performance monitoring of the Company's loan customers.

Sales and Marketing Expenses

Advertising costs are expensed as incurred and included in sales and marketing expenses on the condensed consolidated statements of operations. Total advertising costs were $89.1 million for the three months ended March 31, 2023 compared to $156.3 million for the three months ended March 31, 2022. The Company also records services, incentives, and other costs to acquire customers that are not directly related to a revenue generating transaction 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. These costs are expensed as incurred. The Company recorded $243.7 million for the three months ended March 31, 2023 compared to $202.3 million for the three months ended March 31, 2022 for such expenses.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In March 2022, the Financial Accounting Standards Board ("FASB") issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method* ("ASU 2022-01") related to the portfolio layer method of hedge accounting. The amendments allow nonprepayable financial assets to be included in a closed portfolio hedge using the portfolio layer method. ASU 2022-01 also allows for multiple hedged layers to be designated for a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments. The Company adopted this guidance effective January 1, 2023, 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.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* ("ASU 2022-02") related to troubled debt restructuring and vintage disclosures for financing receivables. The amendments eliminate recognition and measurement guidance for troubled debt restructurings for creditors and requires entities to evaluate if the modification represents a new loan or a continuation of the existing loan. ASU 2022-02 also enhances disclosure requirements for certain loan refinancing and restructurings made to borrowers experiencing financial difficulty and requires disclosure of current period write-offs by year of origination for financing receivables. The Company adopted this guidance effective January 1, 2023, 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 June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* ("ASU 2022-03") related to equity securities. The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. An entity is prohibited from recognizing a contractual sale restriction as a separate unit of account. ASU 2022-03 also requires specific disclosures related to equity securities that are subject to contractual restrictions, including the fair value of such equity securities, the nature and remaining duration of the corresponding restrictions, and any circumstances that could cause a lapse in the restrictions. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption to have a material impact on the Company's financial statements.

NOTE 2 - REVENUE

The following table presents the Company's net revenue disaggregated by revenue source (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
Revenue from contracts with customers:		
Transaction-based revenue	$ 1,422,705	$ 1,232,969
Subscription and services-based revenue	1,038,613	724,745
Hardware revenue	37,451	37,326
Bitcoin revenue	2,163,751	1,730,793
Revenue from other sources:		
Subscription and services-based revenue [i]	327,611	234,812
Total net revenue	$ 4,990,131	$ 3,960,645

[i] Subscription and services-based revenue generated from Square Loans and consumer receivables originated through the BNPL platform.

NOTE 3 - INVESTMENTS IN DEBT SECURITIES

The Company's short-term and long-term investments as of March 31, 2023 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	$ 121,972	$ 31	$ (1,706)	$ 120,297
Corporate bonds	364,948	—	(6,690)	358,258
Commercial paper	7,461	—	—	7,461
Municipal securities	6,587	—	(120)	6,467
Certificates of deposit	2,500	—	—	2,500
U.S. government securities	527,991	16	(6,439)	521,568
Foreign government securities	7,724	—	(165)	7,559
Total	$ 1,039,183	$ 47	$ (15,120)	$ 1,024,110
Long-term debt securities:				
U.S. agency securities	$ 58,494	$ —	$ (2,626)	$ 55,868
Corporate bonds	157,810	16	(4,324)	153,502
Municipal securities	10,410	12	(530)	9,892
U.S. government securities	201,379	20	(8,868)	192,531
Foreign government securities	1,000	—	(46)	954
Total	$ 429,093	$ 48	$ (16,394)	$ 412,747

The Company's short-term and long-term investments as of December 31, 2022 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	$ 96,545	$ 16	$ (2,120)	$ 94,441
Corporate bonds	368,110	2	(7,475)	360,637
Commercial paper	31,503	—	—	31,503
Municipal securities	9,884	—	(191)	9,693
Certificates of deposit	6,400	—	—	6,400
U.S. government securities	580,568	6	(8,937)	571,637
Foreign government securities	7,795	—	(255)	7,540
Total	$ 1,100,805	$ 24	$ (18,978)	$ 1,081,851
Long-term debt securities:				
U.S. agency securities	$ 74,097	$ —	$ (3,782)	$ 70,315
Corporate bonds	245,891	6	(9,171)	236,726
Municipal securities	10,415	3	(664)	9,754
U.S. government securities	268,902	—	(13,210)	255,692
Foreign government securities	1,000	—	(58)	942
Total	$ 600,305	$ 9	$ (26,885)	$ 573,429

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 March 31, 2023 and December 31, 2022, aggregated by investment category and the length of time that individual securities have been in a continuous loss position were as follows (in thousands):

	March 31, 2023					
	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	$ 26,381	$ (31)	$ 92,659	$ (1,675)	$ 119,040	$ (1,706)
Corporate bonds	30,590	(118)	327,472	(6,572)	358,062	(6,690)
Municipal securities	—	—	6,468	(120)	6,468	(120)
U.S. government securities	152,623	(482)	321,220	(5,957)	473,843	(6,439)
Foreign government securities	—	—	7,559	(165)	7,559	(165)
Total	$ 209,594	$ (631)	$ 755,378	$ (14,489)	$ 964,972	$ (15,120)
Long-term debt securities:						
U.S. agency securities	$ 8,966	$ (35)	$ 46,903	$ (2,591)	$ 55,869	$ (2,626)
Corporate bonds	21,761	(158)	129,136	(4,166)	150,897	(4,324)
Municipal securities	471	(29)	8,909	(501)	9,380	(530)
U.S. government securities	4,879	(10)	170,033	(8,858)	174,912	(8,868)
Foreign government securities	—	—	954	(46)	954	(46)
Total	$ 36,077	$ (232)	$ 355,935	$ (16,162)	$ 392,012	$ (16,394)

	December 31, 2022					
	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	$ 8,572	$ (24)	$ 84,628	$ (2,096)	$ 93,200	$ (2,120)
Corporate bonds	34,795	(423)	320,748	(7,052)	355,543	(7,475)
Municipal securities	587	(13)	5,811	(178)	6,398	(191)
U.S. government securities	146,974	(839)	394,880	(8,098)	541,854	(8,937)
Foreign government securities	—	—	7,540	(255)	7,540	(255)
Total	$ 190,928	$ (1,299)	$ 813,607	$ (17,679)	$ 1,004,535	$ (18,978)
Long-term debt securities:						
U.S. agency securities	$ 11,501	$ (20)	$ 58,814	$ (3,762)	$ 70,315	$ (3,782)
Corporate bonds	33,862	(262)	201,791	(8,909)	235,653	(9,171)
Municipal securities	467	(33)	8,784	(631)	9,251	(664)
U.S. government securities	54,405	(590)	201,288	(12,620)	255,693	(13,210)
Foreign government securities	—	—	942	(58)	942	(58)
Total	$ 100,235	$ (905)	$ 471,619	$ (25,980)	$ 571,854	$ (26,885)

The Company does not intend to sell nor anticipate that it will be required to sell these securities before recovery of the amortized cost basis. Unrealized losses on available-for-sale debt securities were determined not to be related 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 March 31, 2023 were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 1,039,183	$ 1,024,110
Due in one to five years	429,093	412,747
Total	$ 1,468,276	$ 1,436,857

NOTE 4 - CUSTOMER FUNDS

The following table presents the assets underlying customer funds (in thousands):

	March 31, 2023	December 31, 2022
Cash	$ 2,403,642	$ 1,748,983
Cash equivalents:		
Money market funds	737,522	851,296
Reverse repurchase agreement [i]	659,309	580,045
Total customer funds	$ 3,800,473	$ 3,180,324

[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 classified the amounts due from the counterparty as cash equivalents due to the short-term nature.

NOTE 5 - FAIR VALUE MEASUREMENTS

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 measures its safeguarding obligation liability related to bitcoin held for other parties at the fair value of the bitcoin that the Company holds for other parties and classifies the liability within Level 2 because the Company uses observable market prices of the underlying bitcoin as an input for the valuation. The Company also classifies its safeguarding asset related to bitcoin held for other parties within Level 2, unless the asset's carrying amount is adjusted to reflect any actual or potential safeguarding loss events, in which case it would be classified within Level 3. The Company was not aware of any actual or possible safeguarding loss events as of March 31, 2023 or December 31, 2022.

The Company’s assets and liabilities that are measured at fair value on a recurring basis were classified as follows (in thousands):

	March 31, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash equivalents:						
Money market funds	$ 962,662	$ —	$ —	$ 1,230,924	$ —	$ —
U.S. agency securities	—	—	—	—	7,923	—
Commercial paper	—	—	—	—	25,080	—
Restricted cash:						
Money market funds	118,780	—	—	—	—	—
Customer funds:						
Money market funds	737,522	—	—	851,296	—	—
Reverse repurchase agreement	659,309	—	—	580,045	—	—
Short-term debt securities:						
U.S. government securities	521,568	—	—	571,637	—	—
Corporate bonds	—	358,258	—	—	360,637	—
U.S. agency securities	—	120,297	—	—	94,441	—
Certificates of deposit	—	2,500	—	—	6,400	—
Commercial paper	—	7,461	—	—	31,503	—
Municipal securities	—	6,467	—	—	9,693	—
Foreign government securities	—	7,559	—	—	7,540	—
Long-term debt securities:						
U.S. government securities	192,531	—	—	255,692	—	—
Corporate bonds	—	153,502	—	—	236,726	—
U.S. agency securities	—	55,868	—	—	70,315	—
Municipal securities	—	9,892	—	—	9,754	—
Foreign government securities	—	954	—	—	942	—
Other:						
Investment in marketable equity security	11,012	—	—	11,092	—	—
Safeguarding asset related to bitcoin held for other parties	—	726,495	—	—	428,243	—
Safeguarding obligation liability related to bitcoin held for other parties	—	(726,495)	—	—	(428,243)	—
Total assets (liabilities) measured at fair value	$ 3,203,384	$ 722,758	$ —	$ 3,500,686	$ 860,954	$ —

The carrying amounts of certain financial instruments, including settlements receivable, consumer receivables, loans held for investment, accounts payable, customers payable, accrued expenses, and settlements payable, approximate their fair values due to their short-term nature. The carrying amounts of the Company's warehouse funding facilities approximate their fair values.

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):

	March 31, 2023		December 31, 2022	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
2031 Senior Notes	$ 988,513	$ 814,189	$ 988,171	$ 782,857
2026 Senior Notes	991,101	902,239	990,414	885,876
2027 Convertible Notes	568,863	437,763	568,535	433,082
2026 Convertible Notes	569,734	469,689	569,315	464,066
2025 Convertible Notes	994,145	958,713	993,394	943,188
2023 Convertible Notes	460,539	472,522	460,356	480,925
Total	$ 4,572,895	$ 4,055,115	$ 4,570,185	$ 3,989,994

The estimated fair value and carrying value of loans held for sale and loans held for investment were as follows (in thousands):

	March 31, 2023		December 31, 2022	
	Carrying Value	Fair Value (Level 3)	Carrying Value	Fair Value (Level 3)
Loans held for sale	$ 476,754	$ 492,735	$ 474,036	$ 491,807
Loans held for investment	178,300	182,344	123,959	126,122
Total	$ 655,054	$ 675,079	$ 597,995	$ 617,929

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 three months ended March 31, 2023 and March 31, 2022, the Company did not have any transfers in or out of Level 1, Level 2, or Level 3 assets or liabilities.

NOTE 6 - CONSUMER RECEIVABLES, NET

Consumer receivables represent amounts due from consumers for outstanding installment payments on orders processed on the Company's BNPL platform. Consumer receivables are classified as held for investment. These receivables are typically interest free and are generally due within 14 to 56 days.

The Company closely monitors credit quality for consumer receivables to manage and evaluate its related exposure to credit risk. The criteria the Company monitors when assessing the credit quality and risk of its consumer receivables portfolio is primarily based on internal risk assessments, as they provide insight into customer risk profiles and are useful as indicators of potential future credit losses. Consumer receivables are internally rated as "Pass" rated or "Classified." Pass rated consumer receivables generally consist of consumer receivables that are current or up to 60 days past due. Classified consumer receivables generally comprise of consumer receivables 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 March 31, 2023, the amortized cost of Pass rated consumer receivables was $1.5 billion and the amount of Classified consumer receivables was less than $0.1 billion.

The following table presents an aging analysis of the amortized cost of consumer receivables by delinquency status (in thousands):

	March 31, 2023	December 31, 2022
Non-delinquent loans	$ 1,330,642	$ 1,643,874
1 - 60 days past due	191,609	295,830
61 - 90 days past due	40,249	20,612
90+ days past due	65,545	62,134
Total amortized cost	$ 1,628,045	$ 2,022,450

The amount listed as 1 - 60 days past due in the above table includes $137.3 million and $224.9 million of cash in transit as of March 31, 2023 and December 31, 2022, respectively, which reflects ongoing repayments from consumers that have been sent from consumers’ bank accounts but have not yet been received at the Company’s bank account as of the date of the financial statements. This cash in transit as of March 31, 2023 and December 31, 2022 represents 8.4% and 11.1%, respectively, of the total amortized cost of consumer receivables.

For consumer receivables, an allowance for credit losses is determined based on the probability of a default event occurring over the life of the receivables. When a consumer has not paid by the due date, it is an indication that credit risk has increased. As a result, the allowance for credit losses for that receivable is measured at an amount equal to the lifetime allowance for credit losses for increased credit risk. Lifetime allowance for credit losses is the expected credit losses that result from all possible default events over the expected life of the receivables. The allowance for credit losses on consumer receivables is a valuation account that is deducted from the carrying value of the consumer receivables.

Consumer receivables are charged off when they are over 180 days past due and the Company has no reasonable expectation of recovery. When consumer receivables are charged off, the Company recognizes the charge against the allowance for credit losses. While the Company expects collections at that point to be unlikely, the Company may recover amounts from the respective consumers. Any subsequent recoveries following charge-off are credited to transaction, loan, and consumer receivable losses on the condensed consolidated statements of operations in the period they were recovered. The amount of recoveries for the three months ended March 31, 2023 and March 31, 2022 were immaterial.

The following table summarizes activity in the allowance for credit losses subsequent to the acquisition of Afterpay (in thousands):

	Three Months Ended March 31, 2023	From Acquisition on January 31, 2022 to March 31, 2022
Allowance for credit losses, beginning of the period [i]	$ 151,290	$ 115,552
Provision for credit losses	43,131	36,505
Charge-offs and other adjustments	(52,401)	(53,780)
Foreign exchange effect	(486)	11,547
Allowance for credit losses, end of the period	$ 141,534	$ 109,824

[i] Consumer receivables acquired from Afterpay that reflected a more-than-insignificant deterioration of credit from origination were considered purchased credit deteriorated ("PCD") receivables. For PCD consumer receivables, the initial estimate of expected credit losses is recognized in the allowance for credit losses on the date of acquisition using the same methodology as other consumer receivables.

NOTE 7 - 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 March 31, 2023 and December 31, 2022, the Company held $178.3 million and $124.0 million, respectively, as loans held for investment, net of allowance, included in other current assets on the condensed consolidated balance sheet. Refer to Note 10, *Other Consolidated Balance Sheet Components (Current)* for more details.

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 March 31, 2023 and December 31, 2022 were all immaterial.

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 March 31, 2023, 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 March 31, 2023, the amortized cost of Pass rated loans was $183.1 million and the amount of Classified loans was immaterial.

NOTE 8 - ACQUISITIONS

Afterpay

On January 31, 2022 (February 1, 2022 Australian Eastern Daylight Time), the Company completed the acquisition of Afterpay, a global BNPL platform. In connection with the acquisition, the Company issued 113,617,352 shares of the Company's Class A common stock. The shares issued included a deemed vested component of outstanding employee awards, based on the ratio of time served in relation to the vesting term of each award, with the unvested portion being replaced with Block's unvested replacement awards, with the same terms. The aggregate fair value of the shares issued was $13.8 billion based on the closing price of the Company's Class A common stock on the acquisition date, of which $66.3 million was attributed to acceleration of various share-based arrangements and was accounted for as an expense immediately post-acquisition, included as a component of general and administrative expenses in the condensed consolidated statement of operations. As of the completion of the acquisition, certain convertible notes with an outstanding principal amount of AU $1.5 billion (U.S. $1.1 billion based on the closing exchange rate on the acquisition date) remained outstanding, and were redeemed on March 4, 2022. As of December 31, 2022, the Company's purchase price allocation was complete and the measurement period was closed.

The table below summarizes the consideration paid for Afterpay and the assessment of the fair value of the assets acquired and liabilities assumed at the closing date (in thousands, except share data):

Consideration:		
Stock (113,617,352 shares of Class A common stock, excluding value accounted as post-combination expense of $66,337)	$	13,827,929
Cash paid to settle tax withholding in connection with replacement awards		8,693
Total	$	13,836,622
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets (inclusive of cash, cash equivalents, and restricted cash acquired)	$	653,709
Consumer receivables		1,245,508
Intangible customer assets		1,378,000
Intangible technology assets		239,000
Intangible trade name		386,000
Other non-current assets		74,232
Long-term debt - current (i)		(1,058,065)
Current liabilities		(439,358)
Warehouse funding facilities (ii)		(107,996)
Deferred tax liabilities		(190,689)
Other non-current liabilities		(63,213)
Total identifiable net assets acquired		2,117,128
Goodwill		11,719,494
Total	$	13,836,622

(i) Long-term debt - current is comprised of the aforementioned Afterpay convertible notes, which were redeemed in cash at face value on March 4, 2022.

(ii) Refer to Note 13, *Indebtedness* for further details.

NOTE 9 - ACQUIRED INTANGIBLE ASSETS

The following tables present the detail of acquired intangible assets as of the periods presented (in thousands):

	Balance at March 31, 2023			
	Weighted Average Estimated Useful Life	Cost	Accumulated Amortization	Net
Technology assets	5 years	$ 396,916	$ (151,189)	$ 245,727
Customer assets	15 years	1,467,212	(134,798)	1,332,414
Trade names	9 years	432,814	(69,725)	363,089
Other	9 years	13,701	(5,845)	7,856
Total		$ 2,310,643	$ (361,557)	$ 1,949,086

	Balance at December 31, 2022			
	Weighted Average Estimated Useful Life	Cost	Accumulated Amortization	Net
Technology assets	5 years	$ 398,665	$ (133,116)	$ 265,549
Customer assets	15 years	1,474,163	(110,316)	1,363,847
Trade names	9 years	434,766	(58,352)	376,414
Other	9 years	13,701	(5,477)	8,224
Total		$ 2,321,295	$ (307,261)	$ 2,014,034

All intangible assets are amortized over their estimated useful lives.

The changes to the carrying value of intangible assets were as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Acquired intangible assets, net, beginning of the period	$ 2,014,034	$ 257,049
Acquisitions	—	2,025,000
Amortization expense	(55,595)	(42,160)
Foreign currency translation adjustments	(9,353)	35,310
Acquired intangible assets, net, end of the period	$ 1,949,086	$ 2,275,199

The estimated future amortization expense of intangible assets in future periods as of March 31, 2023 was as follows (in thousands):

Remainder of 2023	$ 165,612
2024	217,392
2025	210,565
2026	196,498
2027	148,734
Thereafter	1,010,285
Total	$ 1,949,086

NOTE 10 - OTHER CONSOLIDATED BALANCE SHEET COMPONENTS (CURRENT)

Other Current Assets

The following table presents the detail of other current assets (in thousands):

	March 31, 2023	December 31, 2022
Inventory, net	$ 101,655	$ 97,703
Restricted cash [(i)]	414,267	639,780
Processing costs receivable	305,935	298,568
Prepaid expenses	135,706	141,262
Accounts receivable, net	133,502	140,508
Loans held for investment, net of allowance for loan losses [(ii)]	178,300	123,959
Other	157,845	185,485
Total	$ 1,427,210	$ 1,627,265

[(i)] Includes a portion invested in money market funds. Refer to Note 5, *Fair Value Measurements* for further details.

[(ii)] Refer to Note 7, *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):

	March 31, 2023	December 31, 2022
Accrued expenses	$ 379,252	$ 382,571
Accounts payable	100,093	95,846
Customer deposits	155,494	141,893
Accrued transaction losses [(i)]	62,085	64,539
Accrued royalties	58,538	63,684
Operating lease liabilities, current	62,673	66,854
Other	248,068	258,129
Total	$ 1,066,203	$ 1,073,516

[(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 following table summarizes the activities of the Company's reserve for transaction losses (in thousands):

	Three Months Ended March 31,	
	2023	2022
Accrued transaction losses, beginning of the period	$ 64,539	$ 55,167
Provision for transaction losses	24,942	20,721
Charge-offs to accrued transaction losses	(27,396)	(22,229)
Accrued transaction losses, end of the period	$ 62,085	$ 53,659

In addition to amounts reflected in the table above, the Company recognized additional provision for transaction losses that was realized and written-off within the same period. The Company recorded $70.0 million and $87.3 million for the three months ended March 31, 2023 and March 31, 2022, respectively, for such losses.

NOTE 11 - OTHER CONSOLIDATED BALANCE SHEET COMPONENTS (NON-CURRENT)

Other Non-Current Assets

The following table presents the detail of other non-current assets (in thousands):

	March 31, 2023	December 31, 2022
Property and equipment, net	$ 332,144	$ 329,302
Investment in non-marketable equity securities [i]	205,225	208,880
Investment in bitcoin, net [ii]	102,479	102,303
Restricted cash	70,350	71,600
Other	101,314	101,454
Total	$ 811,512	$ 813,539

[i] Investment in non-marketable equity securities represents the Company's investments in equity of non-public entities. 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 condensed consolidated statements of operations. Unrealized gains and losses were immaterial as of March 31, 2023.

[ii] As of March 31, 2023, the Company has purchased a cumulative $220.0 million in bitcoin for investment purposes. Investment in bitcoin is accounted for as an indefinite-lived intangible asset, and does not include any bitcoin held for other parties, which is further described in Note 12, *Bitcoin Held for Other Parties*. Investment in bitcoin 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 no impairment losses in the three months ended March 31, 2023. As of March 31, 2023, the cumulative impairment charges to date were $117.7 million and the fair value of the investment in bitcoin was $228.7 million based on observable market prices, which was $126.2 million in excess of the Company's carrying value of $102.5 million after impairment charges.

NOTE 12 - BITCOIN HELD FOR OTHER PARTIES

The Company allows its Cash App customers to store their bitcoin in the Company’s digital wallets free of charge. The Company also holds an immaterial amount of bitcoin from select trading partners to facilitate bitcoin transactions for customers on Cash App. Other than bitcoin, the Company does not hold or store any other types of crypto-assets for customers or trading partners. The Company holds the cryptographic key information and maintains the internal recordkeeping of the bitcoin held for other parties. The Company's contractual arrangements state that its customers and trading partners retain legal ownership of the bitcoin; have the right to sell, pledge, or transfer the bitcoin; and also benefit from the rewards and bear the risks associated with the ownership, including as a result of any bitcoin price fluctuations. The customer also bears the risk of loss as a result of fraud or theft, unless the loss was caused by the Company’s gross negligence or the Company’s willful misconduct. The Company does not use any of the bitcoin custodied for customers or trading partners as collateral for any of the Company’s loans or other financing arrangements; nor does it lend or pledge bitcoin held for others to any third parties. The Company occasionally engages third-party custodians to store and safeguard bitcoin on the Company's behalf. As of March 31, 2023, an immaterial amount of the bitcoin was held by third-party custodians on the Company's behalf.

The Company records a bitcoin safeguarding obligation liability and a corresponding bitcoin safeguarding asset based on the fair value of the bitcoin held for other parties at each reporting date. The Company was not aware of any actual or possible safeguarding loss events as of March 31, 2023 or December 31, 2022, and accordingly, the bitcoin safeguarding obligation liability and the associated bitcoin safeguarding asset were recorded at the same value. The balance sheet as of December 31, 2022 has been revised to reflect the adoption of Staff Accounting Bulletin No. 121 ("SAB 121"). The adoption had no impact on previously reported consolidated statements of operations, statements of cash flows, or statements of stockholders' equity.

The following table summarizes the Company's bitcoin held for other parties (in thousands, except number of bitcoin):

	March 31, 2023	December 31, 2022
Approximate number of bitcoin held for customers	25,507	25,850
Approximate number of bitcoin held for trading partners	3	62
Total approximate number of bitcoin held for other parties	25,510	25,912
Safeguarding obligation liability related to bitcoin held for customers	$ 726,397	$ 427,221
Safeguarding obligation liability related to bitcoin held for trading partners	98	1,022
Safeguarding obligation liability related to bitcoin held for other parties	$ 726,495	$ 428,243
Safeguarding asset related to bitcoin held for other parties	$ 726,495	$ 428,243

NOTE 13 - INDEBTEDNESS

A) Notes

The 2023 Convertible Notes, 2025 Convertible Notes, 2026 Convertible Notes, and 2027 Convertible Notes (each, as defined below, and collectively, the "Convertible Notes"), together with the Senior Notes (as defined below), are collectively referred to as the "Notes."

The net carrying amount of the Notes as of March 31, 2023 were as follows (in thousands):

	Principal Outstanding	Unamortized Debt Issuance Costs	Net Carrying Value
2031 Senior Notes	$ 1,000,000	$ (11,487)	$ 988,513
2026 Senior Notes	1,000,000	(8,899)	991,101
2027 Convertible Notes	575,000	(6,137)	568,863
2026 Convertible Notes	575,000	(5,266)	569,734
2025 Convertible Notes	1,000,000	(5,856)	994,145
2023 Convertible Notes [i]	460,630	(91)	460,539
Total	$ 4,610,630	$ (37,736)	$ 4,572,895

[i] Net carrying value disclosed as current portion of long-term debt within total current liabilities on the condensed consolidated balance sheet.

The net carrying amount of the Notes as of December 31, 2022 were as follows (in thousands):

	Principal Outstanding	Unamortized Debt Issuance Costs	Net Carrying Value
2031 Senior Notes	$ 1,000,000	$ (11,829)	$ 988,171
2026 Senior Notes	1,000,000	(9,586)	990,414
2027 Convertible Notes	575,000	(6,465)	568,535
2026 Convertible Notes	575,000	(5,685)	569,315
2025 Convertible Notes	1,000,000	(6,606)	993,394
2023 Convertible Notes (i)	460,630	(274)	460,356
Total	$ 4,610,630	$ (40,445)	$ 4,570,185

(i) Net carrying value disclosed as current portion of long-term debt within total current liabilities on the condensed consolidated balance sheet.

The Company recognized interest expense on the Notes as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Contractual interest expense	$ 16,495	$ 16,466
Amortization of debt issuance costs (i)	2,710	2,703
Total	$ 19,205	$ 19,169

(i) Upon adoption of ASU 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.

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 bear 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.

As of March 31, 2023, no principal had converted and the if-converted value did not exceed the outstanding principal amount on either the 2026 Convertible Notes or 2027 Convertible Notes.

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 0.125% payable semi-annually on March 1 and September 1 of each year. The circumstances were not met during the three months ended March 31, 2023. As of March 31, 2023, certain holders of the 2025 Convertible Notes had converted an immaterial aggregate principal amount of their 2025 Convertible Notes. The Company has settled the conversions through the issuance of an immaterial amount of shares of the Company's Class A common stock. As of March 31, 2023, the if-converted value of the 2025 Convertible Notes did not exceed the outstanding principal amount.

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 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 the first half of 2022. The circumstances were met during the three months ended March 31, 2023 and 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 circumstances. As of March 31, 2023, certain holders of the 2023 Convertible Notes had converted an aggregate principal amount of $401.9 million of their 2023 Convertible Notes, leaving approximately $460.6 million aggregate principal amount outstanding that could be converted prior to or repaid on the maturity date of May 15, 2023. The Company has settled the conversions through the issuance of 5.2 million shares of the Company's Class A common stock. As of March 31, 2023, the if-converted value of the 2023 Convertible Notes did not exceed the outstanding principal amount.

Convertible Note Hedge and Warrant Transactions

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 ("2023 Note Hedge 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 2023 Note Hedge Counterparties whereby the 2023 Note Hedge 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 3.0 million shares of the Company's Class A common stock from the 2023 Note Hedge Counterparties, of which none were received in the three months ended March 31, 2023.

B) 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. 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, among other things, provide for a new tranche of unsecured revolving loan commitments in an aggregate principal amount of up to $100.0 million (the "Tranche B Loans). 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 March 31, 2023, $600.0 million remained available for draw. The Company incurred immaterial unused commitment fees during the three months ended March 31, 2023 and March 31, 2022, respectively. As of March 31, 2023, the Company was in compliance with all financial covenants associated with the 2020 Credit Facility.

Loans under the 2020 Credit Facility, excluding the Tranche B Loans, 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 London Interbank Offered Rate ("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 Tranche B Loans bear interest at the Company's option of (i) an annual rate based on the forward-looking term rate based on the Secured Overnight Financing Rate ("Term SOFR") or (ii) 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 the Company's 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 the Company's total net leverage ratio. 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.

C) Warehouse Funding Facilities

Following the acquisition of Afterpay, the Company assumed Afterpay's existing warehouse funding facilities. The Company has financing arrangements with financial institutions in Australia, New Zealand, the United States, and the United Kingdom (collectively, the "Warehouse Facilities"). The Warehouse Facilities have been arranged utilizing wholly-owned and consolidated entities formed for the sole purpose of financing the origination of consumer receivables to partly fund the Company's BNPL platform. Borrowings under the Warehouse Facilities are secured against the respective consumer receivables.

These Warehouse Facilities have maturity dates ranging from December 2023 to December 2024. As of March 31, 2023, the aggregate commitment amount of the Warehouse Facilities, using the respective exchange rates at period-end, was $1.7 billion on a revolving basis, of which $0.7 billion was drawn and $1.0 billion remained available. All facilities contain portfolio parameters based on performance of the underlying consumer receivables, which each respective region has satisfied as of March 31, 2023. None of the Warehouse Facilities contain corporate financial covenants.

All Warehouse Facilities are on a variable rate basis which aligns closely to the weighted average life of the consumer receivables they finance. Borrowings under these facilities bear interest at (i) a base rate aligned to either the local risk free rate, such as Term SOFR and the Sterling Overnight Index Average ("SONIA") or similar, and (ii) a margin which is set for the term of the availability period. In addition, each facility requires payment of immaterial commitment fees.

The table below summarizes the amounts drawn on these facilities by year of maturity (in thousands):

	March 31, 2023
2023	$ 305,195
2024	384,998
Total funding debt, net of deferred debt issuance costs	$ 690,193

NOTE 14 - INCOME TAXES

The Company recorded an income tax benefit of $2.1 million for the three months ended March 31, 2023, compared to an income tax benefit of $1.7 million for the three months ended March 31, 2022. The difference between income before income tax at the U.S. federal statutory rate and the income tax benefit recorded for the three months ended March 31, 2023 is primarily due to a change in the valuation allowance in the U.S. and certain foreign jurisdictions, offset by the current year loss of an entity with deferred tax liabilities available to recognize those losses in future periods.

The difference between the income tax benefit for the three months ended March 31, 2023 and the income tax benefit for the three months ended March 31, 2022 primarily relates to the inclusion of an entity in the annual effective income tax rate that has a current year loss with deferred tax liabilities available to recognize those losses in future periods and a change in the valuation allowance in certain jurisdictions.

The Company is subject to income taxes in the U.S. and certain foreign tax jurisdictions. The tax provision for the three months ended March 31, 2023 and March 31, 2022 is calculated on a jurisdictional basis. The Company estimated the worldwide income tax provision using the estimated annual effective income tax rate expected to be applicable for the full year. The Company’s effective tax rate may be subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as the mix of forecasted pre-tax earnings in the various jurisdictions in which the Company operates, changes in valuation allowances against deferred tax assets, the recognition and de-recognition of tax benefits related to uncertain tax positions, and changes in or the interpretation of tax laws in jurisdictions where the Company conducts business.

As of March 31, 2023, the Company retained a full valuation allowance on its net deferred tax assets in certain jurisdictions. The realization of the Company’s deferred tax assets depends primarily on its ability to generate taxable income in future periods. 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.

NOTE 15 - STOCKHOLDERS' EQUITY

Common Stock

The Company has two classes of authorized common stock outstanding: Class A common stock and Class B common stock. Class A common stock and Class B common stock are referred to as "common stock" throughout these Notes to the Condensed Consolidated Financial Statements, unless otherwise noted. 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. Following the Company's initial public offering in 2015, all new stock options and stock-based awards are granted in Class A common stock.

Warrants

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. The 2023 Warrants expire evenly over a 60 trading day period starting on August 15, 2023. None of the warrants were exercised as of March 31, 2023.

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. The 2025 Warrants expire evenly over a 60 trading day period starting on June 1, 2025. None of the warrants were exercised as of March 31, 2023.

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. The 2026 Warrants expire evenly over a 60 trading day period starting on August 1, 2026. None of the warrants were exercised as of March 31, 2023.

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. The 2027 Warrants expire evenly over a 60 trading day period starting on February 1, 2028. None of the warrants were exercised as of March 31, 2023.

Conversion of Convertible Notes and Exercise of Convertible Note Hedges

In connection with the conversion of the 2023 Convertible Notes, the Company has issued an aggregate 5.2 million shares of Class A common stock as of March 31, 2023, of which no shares were issued in the three months ended March 31, 2023. The Company also exercised a pro-rata portion of the 2023 Convertible Note Hedges and received 3.0 million shares of Class A common stock from the 2023 Note Hedge Counterparties to offset the shares issued as of March 31, 2023. No shares were received in the three months ended March 31, 2023.

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. As of March 31, 2023, the total number of shares subject to stock options, RSAs, and RSUs outstanding under the 2009 Plan was 3,065,728 shares.

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 March 31, 2023, the total number of shares subject to stock options, RSAs, and RSUs outstanding under the 2015 Plan was 30,267,337, and 145,593,622 shares were available for future issuance.

A summary of stock option activity for the three months ended March 31, 2023 is as follows (in thousands, except per share data):

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, beginning of the year	6,739	$ 40.37	4.02	$ 224,484
Granted	225	74.50		
Exercised	(712)	9.58		
Forfeited	(7)	29.62		
Expired	(4)	$ 126.99		
Outstanding, end of the period	6,241	$ 45.07	3.91	$ 213,706
Exercisable, end of the period	5,148	$ 32.60	3.12	$ 209,832

Restricted Stock Activity

Activity related to RSAs and RSUs during the three months ended March 31, 2023 is set forth below (in thousands, except per share data):

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, beginning of the year	28,300	$ 97.89
Granted	2,035	80.71
Vested	(2,642)	97.68
Forfeited	(601)	110.75
Unvested, end of the period	27,092	$ 96.33

Share-Based Compensation

The following table summarizes the effects of share-based compensation on the Company's condensed consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cost of revenue	$ 142	$ 109
Product development	197,857	145,075
Sales and marketing	29,365	21,256
General and administrative	52,227	108,983
Total	$ 279,591	$ 275,423

The Company recorded $21.1 million and $13.0 million of share-based compensation expense related to the Company's 2015 Employee Stock Purchase Plan during the three months ended March 31, 2023 and March 31, 2022, respectively, which are included in the table above. The total share-based compensation expense for the three months ended March 31, 2022 also includes $66.3 million related to the acceleration of various share-based arrangements associated with the acquisition of Afterpay.

The Company capitalized $5.9 million and $3.9 million of share-based compensation expense related to capitalized software costs during the three months ended March 31, 2023 and March 31, 2022, respectively.

As of March 31, 2023, there was $2.5 billion of total unrecognized compensation cost related to outstanding stock options, RSUs, and RSAs that are expected to be recognized over a weighted-average period of 2.7 years.

NOTE 16 - NET LOSS PER SHARE

Basic net loss per share is computed by dividing the net loss 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 periods when the Company reported a net loss, diluted net loss per share is the same as basic net loss per share because the effects of potentially dilutive items were anti-dilutive.

The following table presents the calculation of basic and diluted net loss per share (in thousands, except per share data):

	Three Months Ended March 31,	
	2023	2022
Numerator:		
Net loss	$ (19,326)	$ (207,363)
Less: Net loss attributable to noncontrolling interests	(2,488)	(3,164)
Net loss attributable to common stockholders	$ (16,838)	$ (204,199)
Denominator:		
Basic shares:		
Weighted-average shares used to compute basic net loss per share	602,234	541,435
Diluted shares:		
Weighted-average shares used to compute diluted net loss per share	602,234	541,435
Net loss per share attributable to common stockholders:		
Basic	$ (0.03)	$ (0.38)
Diluted	$ (0.03)	$ (0.38)

The following potential common shares were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive for the periods presented (in thousands):

	Three Months Ended March 31,	
	2023	2022
Stock options, restricted stock, and employee stock purchase plan	36,819	23,402
Convertible notes	18,025	18,038
Common stock warrants	23,188	42,361
Total anti-dilutive securities	78,032	83,801

NOTE 17 - RELATED PARTY TRANSACTIONS

In July 2019, the Company entered into a lease agreement for office space in St. Louis, Missouri, from an affiliate of one of the Company's co-founders and current member of its board of directors, Mr. Jim McKelvey, for a term of 15.5 years, with options to extend the lease term for two five-year terms. The lease possession date varied by floor, beginning in May 2020. As of March 31, 2023, the Company had recorded right-of-use assets of $10.9 million and associated lease liabilities of $17.7 million related to this lease arrangement.

Under the lease agreement, 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. On January 2, 2023, the Company notified the lessor of its intention to exercise the early termination option with respect to approximately 48% of the leased space, effective December 31, 2023. As a result, the Company paid a termination penalty of approximately $5.2 million to exercise the option.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

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.

The Company 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. The Company is cooperating with the CFPB and the state Attorneys General in connection with these CIDs. The Company has accrued a liability for an estimated amount in connection with these CIDs in accordance with ASC 450-20, *Contingencies: Loss Contingencies*. The accrued amount was not material as of March 31, 2023. Given the status of these matters, it is not possible to reliably determine the range of 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 may differ materially from the estimates the Company has 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 in the United States District Court for the Western District of Missouri. 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 trademarks and are likely to cause consumer confusion. HRB demands that the Company stop using the Block name and associated branding, and further demands that the Company stop using the green square Cash App logo. A preliminary injunction granted by the trial court on April 28, 2022 preventing the Company from using its Block, Inc. name in connection with Cash App Taxes was stayed by the appellate court on June 8, 2022 for the duration of the Company's appeal of the preliminary injunction. On January 24, 2023, the Eighth Circuit reversed and vacated the injunction granted by the trial court. On February 21, 2023, HRB filed a petition for rehearing en banc, which was denied on March 15, 2023. On March 31, 2023, HRB and the Company entered into a settlement agreement resolving all claims between them. The settlement is not material to the Company's consolidated financial statements. The case was dismissed on April 24, 2023.

In addition, the Company is subject to various legal matters, investigations, inquiries, claims, and disputes, including with regulatory bodies and governmental agencies. 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.

Purchase Commitments

During the year ended December 31, 2022, we entered into non-cancelable purchase obligations related to cloud computing infrastructure. The commitment amounts in the table below are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, and the approximate timing of the actions under the contracts.

As of March 31, 2023, the future minimum payments under the purchase commitments were as follows (in thousands):

	Payments Due By Period
Remainder of 2023	$ 229,148
2024	300,554
2025	316,425
2026	263,300
2027	315,100
Total	$ 1,424,527

Other Contingencies

The Company is under examination, or may be subject to examination, by several tax authorities. These examinations may lead to proposed adjustments to the Company's taxes or net operating losses with respect to years under examination, as well as subsequent periods. The Company regularly assesses the likelihood of adverse outcomes resulting from tax examinations to determine the adequacy of the Company's provision for direct and indirect taxes. The Company continues to monitor the progress of ongoing discussions with tax authorities and the effect, if any, on the Company's provision for direct and indirect taxes.

Management believes 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 the Company's tax audits are resolved in a manner not consistent with the Company’s expectations, the Company could be required to adjust the Company's provision for direct and indirect taxes in the period such resolution occurs.

NOTE 19 - SEGMENT AND GEOGRAPHICAL INFORMATION

The Company reports its segments to reflect the manner in which the Company's chief operating decision maker ("CODM") reviews and assesses performance. Accordingly, the Company has two reportable segments, Square and Cash App. The financial results of the Company's BNPL platform have been allocated equally to the Cash App and Square segments as management has concluded that the BNPL platform will contribute equally to both the Cash App and Square platforms. Further, Afterpay does not have a segment manager who reports to the CODM. Rather, the operations of Afterpay are managed by the segment managers of Cash App and Square, who are responsible for allocating resources and evaluating the performance of Afterpay. 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. Square and Cash App are defined as follows:

- 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 App Card which is linked to customer stored balances that customers can use to pay for purchases or withdraw funds from an ATM.

- Square includes managed payment services, software solutions, hardware, and financial services offered to sellers, excluding those that involve Cash App.

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. The following tables present information on the reportable segments revenue and segment gross profit (in thousands):

	Three Months Ended March 31, 2023			
	Cash App	**Square**	**Corporate and Other** [i]	**Total**
Revenue:				
Transaction-based revenue	$ 134,663	$ 1,288,042	$ —	$ 1,422,705
Subscription and services-based revenue	973,891	341,741	50,592	1,366,224
Hardware revenue	—	37,451	—	37,451
Bitcoin revenue	2,163,751	—	—	2,163,751
Segment revenue	$ 3,272,305	$ 1,667,234	$ 50,592	$ 4,990,131
Segment gross profit [ii]	$ 931,240	$ 770,275	$ 13,069	$ 1,714,584

	Three Months Ended March 31, 2022			
	Cash App	**Square**	**Corporate and Other** [i]	**Total**
Revenue:				
Transaction-based revenue	$ 109,241	$ 1,123,728	$ —	$ 1,232,969
Subscription and services-based revenue	622,309	282,650	54,598	959,557
Hardware revenue	—	37,326	—	37,326
Bitcoin revenue	1,730,793	—	—	1,730,793
Segment revenue	$ 2,462,343	$ 1,443,704	$ 54,598	$ 3,960,645
Segment gross profit [ii]	$ 623,659	$ 661,221	$ 10,080	$ 1,294,960

[i] Corporate and other represents results related to products and services that are not assigned to a specific reportable segment, and intersegment eliminations between Cash App and Square.

[ii] Segment gross profit for Cash App for the three months ended March 31, 2023 and March 31, 2022 included $8.5 million and $7.0 million of amortization of acquired technology assets expense, respectively. Segment gross profit for Square for the three months ended and March 31, 2023 and March 31, 2022 included $8.6 million and $7.0 million of amortization of acquired technology assets expense, respectively. Amortization of acquired technology assets expense included in Corporate and Other was immaterial for the three months ended March 31, 2023 and March 31, 2022.

The following table provides a reconciliation of total segment gross profit to the Company's loss before applicable income taxes (in thousands):

	Three Months Ended March 31,	
	2023	2022
Total segment gross profit	$ 1,714,584	$ 1,294,960
Less: Product development	626,937	458,224
Less: Sales and marketing	496,011	501,562
Less: General and administrative	432,825	444,149
Less: Transaction, loan, and consumer receivable losses	127,896	91,150
Less: Amortization of customer and other intangible assets	37,087	26,664
Less: Interest expense (income), net	(3,161)	15,748
Less: Other expense (income), net	18,371	(33,472)
Loss before applicable income taxes	$ (21,382)	$ (209,065)

Revenue

Revenue by geography is based on the addresses of the sellers or customers. The following table details revenue by geographic area (in thousands):

	Three Months Ended March 31,	
	2023	2022
United States	$ 4,664,635	$ 3,721,597
International	325,496	239,048
Total	$ 4,990,131	$ 3,960,645

No individual country from the international markets contributed more than 10% of total revenue for the three months ended March 31, 2023 and March 31, 2022.

Long-Lived Assets

The following table details long-lived assets by geography (in thousands):

	March 31, 2023	December 31, 2022
United States	$ 7,960,049	$ 8,023,535
Australia	4,700,189	4,801,434
Other international	1,884,495	1,858,300
Total	$ 14,544,733	$ 14,683,269

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):

	Three Months Ended March 31,	
	2023	2022
Supplemental cash flow data:		
Cash paid for interest	$ 16,680	$ 2,725
Cash paid for income taxes	18,652	1,611
Supplemental disclosures of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease obligations	518	26,090
Purchases of property and equipment in accounts payable and accrued expenses	6,580	16,338
Fair value of common stock issued related to business combinations	—	(13,827,929)
Fair value of common stock issued to settle the conversion of convertible notes	—	(2,496)
Fair value of common stock shares received to settle convertible note hedges	—	133,141

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with the information set forth within the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K. 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 Quarterly Report on Form 10-Q. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

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, operating income (loss), 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.

	Three Months Ended March 31,	
	2023	2022
Gross Payment Volume ("GPV") (in millions)	$ 51,117	$ 43,504
Adjusted Operating Income (Loss) (in thousands)	$ 50,974	$ (42,254)
Adjusted EBITDA (in thousands)	$ 368,367	$ 195,361
Adjusted Net Income Per Share:		
Basic	$ 0.42	$ 0.19
Diluted	$ 0.40	$ 0.18

Gross Payment Volume (GPV)

GPV includes Square GPV and Cash App Business GPV. Square GPV is defined as the total dollar amount of all card payments processed by sellers using Square, net of refunds, and ACH transfers. Cash App Business GPV 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. GPV does not include transactions from our BNPL platform because GPV is related only to transaction-based revenue and not to subscription and services-based revenue.

Adjusted EBITDA, Adjusted Net Income Per Share ("Adjusted EPS") and Adjusted Operating Income

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 Quarterly Report on Form 10-Q 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 that do not vary with our operations.

- 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* within Notes to the Condensed Consolidated Financial Statements), prior to the adoption of ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 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 this expense 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 notes, as if converted at the beginning of the period, if the impact is dilutive.

- We exclude the following from non-GAAP financial measures because we do not believe that these items are reflective of our ongoing business operations: gain or loss on the disposal of property and equipment; gain or loss on revaluation of equity investments; and bitcoin impairment losses on our investment in bitcoin, as applicable.

- To aid in comparability of our results across periods and with peer companies that may not have similar expenses, we also exclude certain acquisition related and integration costs associated with business combinations, and various other costs that are not normal operating expenses. Acquisition related 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, certain 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 and amortization, other cash interest income and expense, and other income and expense.

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 and amortization 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.

In view of the limitations associated with Adjusted EBITDA, we also present Adjusted Operating Income (Loss), which is a non-GAAP financial measure that excludes certain expenses that we believe are not reflective of our core operating performance, including amortization of intangible assets, bitcoin impairment losses, acquisition-related accelerated share-based compensation expenses, and acquisition-related, integration, and other costs. Adjusted Operating Income (Loss) does however include the effect of share-based compensation expense, which is a significant recurring expense in our business and an important part of our compensation strategy, as well as depreciation 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 operating income (loss) to Adjusted Operating Income (Loss) for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2023	2022
Operating loss	$ (6,172)	$ (226,789)
Amortization of acquired technology assets	18,508	15,469
Acquisition-related, integration and other costs	1,551	76,065
Amortization of customer and other acquired intangible assets	37,087	26,664
Acquisition-related share-based acceleration costs	—	66,337
Adjusted Operating Income (Loss)	$ 50,974	$ (42,254)

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2023	2022
Net loss attributable to common stockholders	$ (16,838)	$ (204,199)
Net loss attributable to noncontrolling interests	(2,488)	(3,164)
Net loss	(19,326)	(207,363)
Share-based compensation expense	279,591	275,423
Depreciation and amortization	93,173	70,056
Acquisition-related, integration and other costs	1,551	76,065
Interest expense (income), net	(3,161)	15,748
Other expense (income), net	18,371	(33,472)
Benefit for income taxes	(2,056)	(1,702)
Loss on disposal of property and equipment	191	534
Acquired deferred revenue and cost adjustment	33	72
Adjusted EBITDA	$ 368,367	$ 195,361

The following table presents a reconciliation of net income (loss) to Adjusted Net Income and Adjusted EPS for each of the periods indicated (in thousands, except per share data):

	Three Months Ended March 31,	
	2023	2022
Net loss attributable to common stockholders	$ (16,838)	$ (204,199)
Net loss attributable to noncontrolling interests	(2,488)	(3,164)
Net loss	(19,326)	(207,363)
Share-based compensation expense	279,591	275,423
Acquisition-related, integration and other costs	1,551	76,065
Amortization of intangible assets	55,595	42,160
Amortization of debt discount and issuance costs	2,949	3,630
Loss (gain) on revaluation of equity investments	14,885	(49,741)
Loss on disposal of property and equipment	191	534
Acquired deferred revenue and cost adjustment	33	72
Tax effect of non-GAAP net income adjustments	(84,607)	(38,326)
Adjusted Net Income - basic	$ 250,862	$ 102,454
Cash interest expense on convertible notes	1,236	1,241
Adjusted Net Income - diluted	$ 252,098	$ 103,695
Weighted-average shares used to compute Adjusted Net Income Per Share:		
Basic	602,234	541,435
Diluted	627,423	583,452
Adjusted Net Income Per Share:		
Basic	$ 0.42	$ 0.19
Diluted	$ 0.40	$ 0.18

Diluted Adjusted Net Income Per Share is computed by dividing Adjusted 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 periods when we reported an Adjusted Net Loss, diluted Adjusted Net Income Per Share is the same as basic Adjusted Net Income Per Share because the effects of potentially dilutive items were anti-dilutive.

The following table presents a reconciliation of the tax effect of non-GAAP net income adjustments to our provision (benefit) for income taxes (in thousands, except effective tax rate):

	Three Months Ended March 31,	
	2023	2022
Benefit for income taxes, as reported	$ (2,056)	$ (1,702)
Tax effect of non-GAAP net income adjustments	84,607	38,326
Adjusted provision for income taxes, non-GAAP	$ 82,551	$ 36,624
Non-GAAP effective tax rate	25 %	26 %

We determined the adjusted provision for income taxes by calculating the estimated annual effective tax rate based on adjusted pre-tax income and applying it to Adjusted Net Income before income taxes.

Overview

On December 1, 2021, we changed our name as a corporate entity from Square, Inc. to Block, Inc. (together with its subsidiaries, "Block"). 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 a variety of 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 products and services to help individuals manage their money. We also added TIDAL and TBD as businesses to contribute to our purpose of economic empowerment. TIDAL is a global platform for musicians and their fans that uses unique content, experiences, and features to bring fans closer to artists and to provide artists with tools to succeed as entrepreneurs. TBD is an open developer platform focused on making the decentralized financial world accessible for everyone. In January 2022, we completed the acquisition of Afterpay Limited ("Afterpay"), a buy now, pay later ("BNPL") platform that facilitates commerce between retail merchants and consumers by allowing its retail merchant clients to offer their customers the ability to buy goods and services on a BNPL basis.

Square is a cohesive commerce ecosystem that helps sellers start, run, and grow their businesses, and consists of more than 30 distinct software, hardware, and financial services products that provide cohesive Commerce, Customer Relationship Management, Staff Management, and Banking capabilities. Our products are designed to be self-serve and intuitive to make initial setup and new employee training fast and easy, although we also offer full-service setup and support. Our products are integrated to create a seamless experience and enable a holistic view of sales, customers, employees, and finances. Our open developer platform enables integrations with third-party applications as well. We monetize these products through a combination of transaction, subscription, and service fees. We have grown rapidly to serve millions of sellers that represent a diverse set of industries including services, food-related businesses, and retail businesses; and sizes, ranging from sole proprietors, such as a single vendor at a farmers' market, to multi-location enterprise businesses. Square sellers also span geographies, including the United States, Canada, Japan, Australia, New Zealand, the United Kingdom, Ireland, France, and Spain.

Cash App provides an ecosystem of financial products and services to help consumers 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 focused on helping consumers make their money go further — whether that's by storing, sending, receiving, spending, saving or investing their money with Cash App. We monetize these products through a combination of transaction and service fees. Cash App has a diverse mix of transacting actives across a range of demographics and regions in the United States, as well as a small presence in Europe.

With the acquisition of Afterpay, we added a BNPL platform to our offerings. Our BNPL platform is being integrated into the Cash App and Square ecosystems, strengthening the connection between these ecosystems, expanding access to more sellers and customers, increasing Square's omnichannel platform, and helping drive more commerce between our sellers and customers. Customers will be able to manage their installments and repayments directly within Cash App, while the commerce discovery functionality from the Afterpay app will be integrated with Cash App to help drive lead generation for merchants and customer engagement. As discussed further in Note 19, *Segment and Geographical Information* within Notes to the Condensed Consolidated Financial Statements, the financial results from our BNPL platform have been allocated equally to the Cash App and Square segments. Afterpay results are included in our financial statements from January 31, 2022, the date of acquisition.

Results of Operations

Revenue (in thousands, except for percentages)

	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Transaction-based revenue	$ 1,422,705	$ 1,232,969	$ 189,736	15 %
Subscription and services-based revenue	1,366,224	959,557	406,667	42 %
Hardware revenue	37,451	37,326	125	— %
Bitcoin revenue	2,163,751	1,730,793	432,958	25 %
Total net revenue	$ 4,990,131	$ 3,960,645	$ 1,029,486	26 %

Total net revenue for the three months ended March 31, 2023 increased by $1.0 billion, or 26%, compared to the three months ended March 31, 2022. Bitcoin revenue increased by $433.0 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Excluding bitcoin revenue, total net revenue increased by $596.5 million, or 27%, in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Revenue from our BNPL platform, which includes fees generated from consumer receivables, late fees, and certain affiliate and advertising fees, was 4% of total net revenue in the three months ended March 31, 2023, and 3% from the date of acquisition through March 31, 2022.

Transaction-based revenue for the three months ended March 31, 2023 increased by $189.7 million, or 15%, compared to the three months ended March 31, 2022, while Gross Payment Volume ("GPV" as defined below in *Key Operating Metrics and Non-GAAP Financial Measures*) grew by 17% in the same periods. The increase in transaction-based revenue was driven by:

- growth in Square GPV as well as continued improvements in both card-present and card-not-present volumes as a result of growth from in-person and online channels; and

- growth in Cash App Business GPV, primarily driven by peer-to-peer transactions received by business accounts and peer-to-peer payments sent from a credit card.

Subscription and services-based revenue for the three months ended March 31, 2023 increased by $406.7 million, or 42% compared to the three months ended March 31, 2022. This increase was driven by:

- an increase in Cash App subscription and services-based revenue primarily due to growth in Cash App's financial service-related products, including Cash App Card usage, Cash App Instant Settlement volumes, as well as interest earned on customer funds; and

- revenue generated from the BNPL platform following the acquisition of Afterpay in the first quarter of 2022, which contributed $223.7 million during the three months ended March 31, 2023 compared to $129.8 million from the date of acquisition through March 31, 2022.

Hardware revenue for the three months ended March 31, 2023 had no significant change compared to the three months ended March 31, 2022.

Bitcoin revenue for the three months ended March 31, 2023 increased by $433.0 million, or 25% compared to the three months ended March 31, 2022. As bitcoin revenue is the total sale amount of bitcoin to customers, the amount of bitcoin revenue recognized will fluctuate depending on customer demand as well as changes in the market price of bitcoin. This increase in the three months ended March 31, 2023 was driven by an increase in the quantity of bitcoin sold to customers, partially offset by a decrease in the market price of bitcoin compared to the three months ended March 31, 2022. While bitcoin revenue contributed 43% of total net revenue in the three months ended March 31, 2023, gross profit generated from bitcoin transactions was only 3% of total gross profit in the three months ended March 31, 2023 and March 31, 2022.

Cost of Revenue (in thousands, except for percentages)

	Three Months Ended March 31,			
	2023	**2022**	**$ Change**	**% Change**
Transaction-based costs	$ 820,787	$ 716,236	$ 104,551	15 %
Subscription and services-based costs	264,092	182,857	81,235	44 %
Hardware costs	58,785	63,664	(4,879)	(8)%
Bitcoin costs	2,113,375	1,687,459	425,916	25 %
Amortization of acquired technology assets	18,508	15,469	3,039	20 %
Total cost of revenue	$ 3,275,547	$ 2,665,685	$ 609,862	23 %

Total cost of revenue for the three months ended March 31, 2023 increased by $609.9 million, or 23%, compared to the three months ended March 31, 2022. Bitcoin costs of revenue decreased by $425.9 million in the three months ended March 31, 2023, compared to the three months ended March 31, 2022. Excluding bitcoin costs of revenue, total cost of revenue increased by approximately $183.9 million, or 19%, in the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

Transaction-based costs for the three months ended March 31, 2023 increased by $104.6 million, or 15%, compared to the three months ended March 31, 2022, while GPV grew by 17% in the same periods. Transaction-based costs during the three months ended March 31, 2023 were affected by a decrease in the percentage of debit card transactions, which have a lower cost per transaction, as the proportion of these debit card transactions was comparable to pre-pandemic levels.

Subscription and services-based costs for the three months ended March 31, 2023 increased by $81.2 million, or 44%, compared to the three months ended March 31, 2022. The increase in the three months ended March 31, 2023 was driven by:

- growth in Cash App's financial service-related products, including Cash App Card, Cash App Instant Settlement volumes, and related processing costs and fees; and
- BNPL costs of revenue following the acquisition of Afterpay in the first quarter of 2022. The costs of revenues associated with the BNPL platform were $66.3 million for the three months ended March 31, 2023, and $37.5 million from the date of acquisition through March 31, 2022.

Hardware costs for the three months ended March 31, 2023 decreased by $4.9 million, or 8%, compared to the three months ended March 31, 2022. The decrease was due to improvements in supply chain disruptions, leading to decreased purchase price variances and inbound shipping rates compared to the three months ended March 31, 2022.

Bitcoin costs for the three months ended March 31, 2023 increased by $425.9 million, or 25%, compared to the three months ended March 31, 2022. Bitcoin costs are comprised of the total amount we pay to purchase bitcoin, which fluctuates in line with bitcoin revenue.

Amortization of acquired technology assets increased by $3.0 million in the three months ended March 31, 2023, compared to the three months ended March 31, 2022. The increase was driven by amortization related to the acquired technology assets from the acquisition of Afterpay primarily as a result of timing of the acquisition.

Operating Expenses (in thousands, except for percentages)

	Three Months Ended March 31,			
	2023	**2022**	**$ Change**	**% Change**
Product development	$ 626,937	$ 458,224	$ 168,713	37 %
% of total net revenue	*13 %*	*12 %*		
% of total gross profit	*37 %*	*35 %*		
Sales and marketing	$ 496,011	$ 501,562	$ (5,551)	NM [i]
% of total net revenue	*10 %*	*13 %*		
% of total gross profit	*29 %*	*39 %*		
General and administrative	$ 432,825	$ 444,149	$ (11,324)	NM [i]
% of total net revenue	*9 %*	*11 %*		
% of total gross profit	*25 %*	*34 %*		
Transaction, loan, and consumer receivable losses	$ 127,896	$ 91,150	$ 36,746	40 %
% of total net revenue	*3 %*	*2 %*		
% of total gross profit	*7 %*	*7 %*		
Amortization of customer and other acquired intangible assets	$ 37,087	$ 26,664	$ 10,423	39 %
% of total net revenue	*1 %*	*1 %*		
% of total gross profit	*2 %*	*2 %*		
Total operating expenses	$ 1,720,756	$ 1,521,749	$ 199,007	13 %

[i] Not meaningful ("NM")

Product development expenses for the three months ended March 31, 2023 increased by $168.7 million, or 37%, compared to the three months ended March 31, 2022, due primarily to the following:

- an increase of $127.6 million in personnel costs for the three months ended March 31, 2023, related to an increase in headcount among our engineering, data science, and design teams, as we continue to improve and diversify our products. This increase in product development personnel costs also includes an increase in share-based compensation expense of $52.8 million for the three months ended March 31, 2023; and

- an increase of $23.4 million in software and data center costs, consulting fees, and certain operating costs for Cash App crypto networks for the three months ended March 31, 2023, as a result of increased capacity needs and expansion of our cloud-based services.

Sales and marketing expenses for the three months ended March 31, 2023 decreased by $5.6 million compared to the three months ended March 31, 2022, primarily due to the following:

- a decrease of $65.1 million in advertising costs for our Square services for the three months ended March 31, 2023, primarily from decreased online and television campaigns; partially offset by

- an increase of $27.9 million in sales and marketing personnel costs for the three months ended March 31, 2023, to enable growth initiatives. The increase in personnel related costs includes an increase in share-based compensation expense of $8.1 million; and

- an increase in Cash App peer-to-peer processing costs, related transaction losses, and card issuance costs of $50.6 million. Cash App marketing costs increased by $9.8 million for the three months ended March 31, 2023.

General and administrative expenses for the three months ended March 31, 2023 decreased by $11.3 million compared to the three months ended March 31, 2022, primarily due to the following:

- a decrease in acquisition-related integration and other expenses due to a $66.3 million one-time charge related to the acceleration of various stock compensation arrangements in connection with the Afterpay acquisition during the three months ended March 31, 2022, which was additional to ongoing share-based compensation expense for Afterpay employees; partially offset by

- an increase of $29.1 million in general and administrative personnel costs for the three months ended March 31, 2023, mainly as a result of additions to our human resources, customer support, and compliance personnel as we continue to add resources and skills to support our long-term growth. The increase in general and administrative personnel costs includes an increase in share-based compensation expense of $56.8 million for the three months ended March 31, 2023.

Transaction, loan, and consumer receivable losses for the three months ended March 31, 2023 increased by $36.7 million, or 40%, compared to the three months ended March 31, 2022, primarily due to the following:

- an increase in loan losses for the three months ended March 31, 2023 of $18.9 million compared to the three months ended March 31, 2022, which was due to increased loan volumes; and

- an increase in transaction losses for the three months ended March 31, 2023 of $15.1 million compared to the three months ended March 31, 2022, which was primarily due to growth in Cash App Card in the three months ended March 31, 2023.

Amortization of customer and other acquired intangible assets for three months ended March 31, 2023 increased $10.4 million, or 39%, compared to the three months ended March 31, 2022, primarily as a result of the timing of the acquisition of Afterpay and related intangible assets. Refer to Note 9, *Acquired Intangible Assets* within Notes to the Condensed Consolidated Financial Statements for more details.

Interest Expense, Net, and Other Expense (Income), Net (in thousands, except for percentages)

	Three Months Ended March 31,			
	2023	**2022**	**$ Change**	**% Change**
Interest expense (income), net	$ (3,161)	$ 15,748	$ (18,909)	(120)%
Other expense (income), net	$ 18,371	$ (33,472)	$ 51,843	155 %

Interest expense, net, for the three months ended March 31, 2023 decreased by $18.9 million compared to the three months ended March 31, 2022. The decrease in net interest expense in the three months ended March 31, 2023 was primarily due to an increase in interest income received as a result of higher interest rates on our investments, which more than offset interest expense in the period. The increase in interest expense in the period was primarily related to our 2026 Senior Notes and 2031 Senior Notes, which were issued in May 2021. Refer to Note 13, *Indebtedness* within Notes to the Condensed Consolidated Financial Statements for further details.

Other expense, net, during the three months ended March 31, 2023 of $18.4 million was primarily due to unrealized losses on certain marketable and non-marketable investments. Other income, net, for the three months ended March 31, 2022 of $33.5 million was primarily due to recording an unrealized gain of $59.8 million during the three months ended March 31, 2022, arising from the revaluation of a non-marketable investment. Other expense (income), net also includes foreign exchange losses and amortization of investments in marketable debt securities.

Segment Results

The Company has two reportable segments, Square and Cash App. The results of Afterpay have been equally allocated to the Square and Cash App segments as management has determined the BNPL platform contributes equally to both the Square and Cash App platforms. Refer to Note 19, *Segment and Geographical Information* within Notes to the Condensed Consolidated Financial Statements for more details.

Square Results

The following tables provide a summary of the revenue and gross profit for our Square segment for the three months ended March 31, 2023 and March 31, 2022 (in thousands):

	Three Months Ended March 31,			
	2023	**2022**	**$ Change**	**% Change**
Net revenue	$ 1,667,234	$ 1,443,704	$ 223,530	15 %
Cost of revenue	896,959	782,483	114,476	15 %
Gross profit	$ 770,275	$ 661,221	$ 109,054	16 %

Revenue

Revenue for the Square segment for the three months ended March 31, 2023 increased by $223.5 million, or 15%, compared to the three months ended March 31, 2022. The increase was primarily due to:

- growth in Square GPV and continued improvements in both card-present volumes and growth in higher-priced card-not-present transactions; and
- revenue generated from the BNPL platform following the acquisition of Afterpay.

Cost of Revenue

Cost of revenue for the Square segment for the three months ended March 31, 2023 increased by $114.5 million, or 15%, compared to the three months ended March 31, 2022. Transaction-based costs during the three months ended March 31, 2023 were affected by a decrease in the percentage of debit card transactions, which have a lower cost per transaction, as the proportion of these debit card transactions are returning to levels comparable with pre-pandemic levels.

Cash App Results

The following tables provide a summary of the revenue and gross profit for our Cash App segment for the three months ended March 31, 2023 and March 31, 2022 (in thousands):

	Three Months Ended March 31,			
	2023	**2022**	**$ Change**	**% Change**
Net revenue	$ 3,272,305	$ 2,462,343	$ 809,962	33 %
Cost of revenue	2,341,065	1,838,684	502,381	27 %
Gross profit	$ 931,240	$ 623,659	$ 307,581	49 %

Revenue

Revenue for the Cash App segment for the three months ended March 31, 2023 increased by $810.0 million, or 33%, compared to the three months ended March 31, 2022. The increase was due to growth in Cash App's financial service-related products, including Cash App Card, Cash App Instant Settlement volumes, as well as interest earned on customer funds. Bitcoin revenue has and will fluctuate depending on customer demand, as well as changes in the market price of bitcoin. The increase in bitcoin revenue in the three months ended March 31, 2023 was driven by an increase in the quantity of bitcoin sold to customers, partially offset by a decrease in the market price of bitcoin during the three months ended March 31, 2023, compared to the three months ended March 31, 2022. While bitcoin contributed 43% of the total net revenue for the three months ended March 31, 2023, gross profit generated from bitcoin was 3% of the total gross profit.

Excluding $2.2 billion in bitcoin revenue for the three months ended March 31, 2023, Cash App revenue increased by $377.0 million, or 52%, in the three months ended March 31, 2023, compared to the three months ended March 31, 2022, due to growth in the number of active Cash App accounts, an increase in the number of business accounts, an increase of transaction fees related to Cash App Card and instant deposit, and revenue generated from the BNPL platform following the acquisition of Afterpay.

Cost of Revenue

Cost of revenue for the Cash App segment for the three months ended March 31, 2023 increased by $502.4 million, or 27%, compared to the three months ended March 31, 2022. The increase was due to the items referenced within the revenue discussion. Excluding $2.1 billion in bitcoin cost of revenue in the three months ended March 31, 2023, Cash App cost of revenue increased by approximately $76.5 million, or 51%, in the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

Liquidity and Capital Resources

Liquidity Sources

As of March 31, 2023, we had approximately $7.6 billion in available funds, including an undrawn amount of $600.0 million available under our revolving credit facility. Additionally, we had $1.0 billion available under our warehouse funding facilities. Refer to Note 13, *Indebtedness* within Notes to the Condensed Consolidated Financial Statements for more details. 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. As of March 31, 2023, we were in compliance with all covenants associated with our revolving credit facility and senior notes. None of our warehouse funding facilities contain financial covenants.

The following table summarizes our cash, cash equivalents, restricted cash, customer funds, and investments in marketable debt securities (in thousands):

	March 31, 2023	December 31, 2022
Cash and cash equivalents	$ 5,061,091	$ 4,544,202
Short-term restricted cash [(i)]	414,267	639,780
Long-term restricted cash	70,350	71,600
Customer funds cash and cash equivalents	3,800,473	3,180,324
Cash, cash equivalents, restricted cash, and customer funds	9,346,181	8,435,906
Investments in short-term debt securities	1,024,110	1,081,851
Investments in long-term debt securities	412,747	573,429
Cash, cash equivalents, restricted cash, customer funds, and investments in marketable debt securities	$ 10,783,038	$ 10,091,186

[(i)] As of March 31, 2023, the Company has invested $118.8 million of restricted cash into a money market fund. See Note 5, *Fair Value Measurements*.

Our principal sources of liquidity are our cash and cash equivalents, and investments in marketable debt securities. As of March 31, 2023, we had $10.8 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 and undrawn amounts under our revolving credit facility, our total liquidity as of March 31, 2023 was $7.0 billion.

As of March 31, 2023, the Company has purchased a cumulative $220.0 million in bitcoin for investment purposes. 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 are required to recognize any decreases in market prices below carrying value as an impairment charge, with any mark up in value or reversal of impairment prohibited if the market price of bitcoin subsequently increases. We recorded no impairment charges in the three months ended March 31, 2023. As of March 31, 2023, the cumulative impairment charges to date were $117.7 million and the fair value of our investment in bitcoin was $228.7 million based on observable market prices, which was $126.2 million in excess of the Company's carrying value of $102.5 million after impairment charges.

In September 2020, we announced our intent to invest $100.0 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 March 31, 2023, we have invested $32.3 million in aggregate towards this initiative, of which $0.3 million was invested in the three months ended March 31, 2023.

Our principal commitments consist of convertible notes, senior notes, revolving credit facility, warehouse funding facilities, operating leases, capital leases, and purchase commitments.

Senior Notes and Convertible Notes

As of March 31, 2023, we held over $4.6 billion in aggregate principal amount of debt, comprised of $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 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"). Refer to Note 13, *Indebtedness* within Notes to the Condensed Consolidated Financial Statements for further details.

The 2023 Convertible Notes had an initial aggregate principal amount of $862.5 million. The conversion rate of the 2023 Convertible Notes as of March 31, 2023 was 12.8456 shares of our Class A common stock per $1,000 principal amount of 2023 Convertible Notes (which is equivalent to a conversion price of approximately $77.85 per share). The 2023 Convertible Notes became freely convertible on February 15, 2023 and, as of March 31, 2023, holders had elected to convert approximately $401.9 million aggregate principal amount of 2023 Convertible Notes, leaving approximately $460.6 million aggregate principal amount outstanding that could be converted prior to or repaid on the maturity date of May 15, 2023.

Revolving Credit Facility

We have entered into a revolving credit agreement with certain lenders, as subsequently amended, which provides a $500.0 million senior unsecured revolving credit facility (the "2020 Credit Facility") maturing in May 2024. On February 23, 2022, the Company entered into a sixth amendment to the Credit Agreement to, among other things, provide for a new tranche of unsecured revolving loan commitments in an aggregate principal amount of up to $100.0 million (the "Tranche B Loans"). Refer to Note 13, *Indebtedness* within Notes to the Condensed Consolidated Financial Statements for further details.

Warehouse Funding Facilities

Following the acquisition of Afterpay, we assumed Afterpay's existing warehouse funding facilities ("Warehouse Facilities") with an aggregate commitment amount of $1.7 billion on a revolving basis, of which $0.7 billion was drawn and $1.0 billion remained available as of March 31, 2023. The Warehouse Facilities have been arranged utilizing wholly-owned and consolidated entities (collectively, the "Warehouse Special Purpose Entities (SPEs)") formed for the sole purpose of financing the origination of consumer receivables to partly fund our BNPL platform. Borrowings under the Warehouse Facilities are secured against the respective consumer receivables. While the Warehouse SPEs are included in our condensed consolidated financial statements, they are separate legal entities that maintain legal ownership of the receivables they hold. The assets of the Warehouse SPEs are not available to satisfy our claims or those of our creditors.

Cash, Restricted Cash, and Working Capital

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 have raised capital by issuing equity, equity-linked, or debt securities such as our convertible notes and senior notes; and we may do so in the future, however, such funding may not be available on terms acceptable to us or at all.

When we were last rated, in the second half of 2022, we received 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.

Short-term restricted cash of $414.3 million as of March 31, 2023 primarily includes cash held by the Warehouse SPEs used in the Warehouse Facilities funding arrangements, that will be used to pay the borrowings under the Warehouse Facilities or will be distributed to us. It also includes pledged cash deposits in accounts at the financial institutions that process our sellers' payment transactions and collateral pursuant to various agreements with banks relating to our products. We use restricted cash to secure letters of credit with the related financial institutions to provide collateral for cash flow timing differences in the processing of payments. We have recorded these amounts as current assets on our condensed consolidated balance sheet 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.

Long-term restricted cash of $70.4 million as of March 31, 2023 is primarily related to cash held as collateral as required by the FDIC for Square Financial Services. We have recorded these amounts as non-current assets on our condensed consolidated balance sheet as the requirement by the FDIC specifies a time frame of 12 months or longer during which the cash must remain restricted.

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.

Safeguarding Obligation Liability and Safeguarding Asset Related to Bitcoin Held for Other Parties

As detailed in Note 12, *Bitcoin Held for Other Parties* within Notes to the Condensed Consolidated Financial Statements, we recorded a safeguarding obligation liability and a corresponding safeguarding asset related to the bitcoin held for other parties. As of March 31, 2023, the safeguarding obligation liability related to bitcoin held for other parties was $726.5 million. We have taken steps to mitigate the potential risk of loss for the bitcoin held for other parties, including holding insurance coverage specifically for certain bitcoin incidents and using secure cold storage to store materially all of the bitcoin held for other parties. Staff Accounting Bulletin No. 121 ("SAB 121") also asks us to consider the legal ownership of the bitcoin held for other parties, including whether the bitcoin held for other parties would be available to satisfy general creditor claims in the event of Block's bankruptcy. The legal rights of people with respect to crypto-assets held on their behalf by a custodian, such as us, upon the custodian's bankruptcy have not yet been settled by courts and are highly fact dependent. Our contractual arrangements state that our customers and trading partners retain legal ownership of the bitcoin custodied by us on their behalf; they have the right to sell, pledge, or transfer the bitcoin; and they also benefit from the rewards and bear the risks associated with the ownership, including as a result of any bitcoin price fluctuations. We do not use any of the bitcoin held for other parties as collateral for our loans or any other financing arrangements, nor do we lend or pledge bitcoin held for others to any third parties. We have been monitoring and will continue to actively monitor legal and regulatory developments and may consider further steps, as appropriate, to support this contractual position so that in the event of Block's bankruptcy, the bitcoin custodied by us should not be deemed to be part of Block's bankruptcy estate. We do not expect potential future cash flows associated with the bitcoin safeguarding obligation liability.

Cash Flow Activities

The following table summarizes our cash flow activities (in thousands):

	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities	$ 294,401	$ 229,423
Net cash provided by investing activities	623,924	1,130,613
Net cash used in financing activities	(9,083)	(968,556)
Effect of foreign exchange rate on cash and cash equivalents	1,033	(948)
Net increase in cash, cash equivalents, restricted cash, and customer funds	$ 910,275	$ 390,532

Cash Flows from Operating Activities

For the three months ended March 31, 2023, cash provided by operating activities was $294.4 million. Net loss of $19.3 million was adjusted for the add back of net non-cash expenses of $455.9 million, consisting primarily of share-based compensation; transaction, loan, and consumer receivable losses; depreciation and amortization; non-cash lease expense; and losses on revaluation of equity investments, all of which contributed positively to operating activities. This was offset by the foreign exchange impact on consumer receivables, net outflows from loan products, as well as changes in other assets and liabilities of $142.2 million, primarily due to the timing of period end.

For the three months ended March 31, 2022, cash provided by operating activities was $229.4 million. Net loss of $207.4 million, adjusted for the add back of non-cash expenses of $337.6 million, consisting primarily of share-based compensation; transaction, loan, and consumer receivable losses; depreciation and amortization; and gains on revaluation of equity investments, as well as non-cash lease expenses, which all contributed positively to operating activities. Additionally, there was a net inflow from the repayment and forgiveness of Paycheck Protection Program ("PPPL") loans, and a net outflow related to changes in other assets and liabilities of $61.4 million due to timing of period end.

Cash Flows from Investing Activities

Cash flows used in investing activities primarily relate to business acquisitions, consumer receivables, capital expenditures to support our growth, and investments in marketable debt securities.

For the three months ended March 31, 2023, cash provided by investing activities was $623.9 million, primarily due to a net inflow related to consumer receivables of $428.3 million and net proceeds from the sales and maturities of marketable securities including investments from customer funds of $289.5 million, and . These were partially offset by the purchases of marketable debt securities, property and equipment, and other investments of $56.8 million, $32.3 million, and $4.8 million, respectively.

For the three months ended March 31, 2022, cash provided by investing activities was $1.1 billion, primarily due to the net proceeds from the sales and maturities of marketable securities including investments from customer funds of $620.5 million and the net cash acquired through the acquisition of Afterpay of $570.7 million. These were partially offset by the purchase of marketable debt securities, property and equipment and other investments of $210.0 million, $41.2 million, and $16.5 million, respectively.

Cash Flows from Financing Activities

For the three months ended March 31, 2023, cash used in financing activities was $9.1 million primarily as a result of net repayments from Warehouse Facilities borrowings of $644.6 million. The majority of this was offset by a change in customer funds of $620.1 million and a net increase in interest-bearing deposits of $13.6 million.

For the three months ended March 31, 2022, cash used in financing activities was $1.0 billion primarily as a result of the payment to redeem convertible notes assumed upon the acquisition of Afterpay of $1.1 billion, repayments of the PPPLF advances of $372.9 million, partially offset by the change in customer funds of $359.9 million and net proceeds from Warehouse Facilities borrowings of $92.9 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.

There were no significant changes in our critical accounting estimates during the fiscal quarter ended March 31, 2023 compared to those previously disclosed in “Critical Accounting Policies and Estimates” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the 2022 Annual Report on Form 10-K.

Recent Accounting Pronouncements

See “Recent Accounting Pronouncements” described in Note 1, *Description of Business and Summary of Significant Accounting Policies* within Notes to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information presented in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in the 2022 Annual Report on Form 10-K.

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 volatility in our financial results in future periods. As of March 31, 2023, our marketable equity investments were immaterial. Adjustments are recorded in other (expense) income, net on the condensed consolidated statements of operations and establish a new carrying value for the investment.

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 condensed consolidated statements of operations and establish a new carrying value for the investment. As of March 31, 2023, the aggregate carrying value of our non-marketable equity investments included in other non-current assets was $205.2 million.

Bitcoin Market Price Risk

As of March 31, 2023, we had made cumulative investments in bitcoin of $220.0 million. Our investment in 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. We recorded no impairment charges on our investment in bitcoin in the three months ended March 31, 2023. As of March 31, 2023, the cumulative impairment charges to date were $117.7 million and the fair value of the investment in bitcoin was $228.7 million based on observable market prices, which was $126.2 million in excess of our carrying value of $102.5 million after impairment charges. Any decreases to the carrying value of bitcoin investments are recorded in operating expenses on the condensed consolidated statements of operations.

Interest Rate Sensitivity

Our cash and cash equivalents, and marketable debt securities as of March 31, 2023 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. Our Warehouse Facilities borrowings and any future borrowings incurred under the 2020 Credit Facility both accrue interest at variable rates based on formulas tied to certain market rates at the time of incurrence.

Foreign Currency Risk

Our condensed consolidated financial statements are presented in U.S. dollars. Most of our revenue is earned in U.S. dollars and, subsequent to the acquisition of Afterpay, a portion is earned in Australian Dollars. 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. Our results of operations and cash flows are, therefore, subject to fluctuations in foreign currency exchange rates and may cause us to recognize transaction gains and losses on our financial statements.

From time to time, we use foreign exchange derivative contracts to hedge a portion of our exposure to changes in currency exchange rates, which result from our global operating and financing activities. We do not use derivative financial instruments for trading or speculative purposes. Gains and losses from foreign currency transactions, as well as foreign exchange forward contracts, were not significant for any period presented in the condensed consolidated financial statements included in this Form 10-Q. We did not have any material foreign currency derivatives outstanding as of March 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q (the "Evaluation Date"). 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 principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, 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 Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II—Other Information

Item 1. 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, *Commitments and Contingencies* within Notes to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

In addition, from time to time, we are involved in various other legal matters, investigations, inquiries, claims, and disputes, including with regulatory bodies and governmental agencies. 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 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 Quarterly Report on Form 10-Q, 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.

The following description of risk factors includes any material changes to, and supersedes the description of, risk factors associated with the Company's business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 under the heading "Risk Factors."

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 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 ability to maintain, protect, and enhance our brands;
- 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 markets and industry;
- risks related to disruptions in or negative perceptions of the cryptocurrency market;
- any acquisitions, strategic investments, new businesses, joint ventures, divestitures, and other transactions that we may undertake;
- the ongoing integration of Afterpay with our business;
- additional risks related to our majority interest in TIDAL;
- expanding our business globally;
- risks related to our BNPL platform;
- risks related to the banking ecosystem, including through our bank partnerships, and FDIC and other regulatory obligations;
- additional risks of Square Loans related to the availability of capital, seller payments, interest rate, deposit insurance premiums, and general macroeconomic conditions; and
- our participation in government relief programs set up in response to the COVID-19 pandemic.

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 failure to safeguard the bitcoin we hold on behalf of ourselves and other parties;
- 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:

- a deterioration of general macroeconomic conditions;
- any inability to secure financing on favorable terms, or at all, or comply with covenants in our existing credit agreement, the indentures, or future agreements;
- our ability to service our debt, including 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, data protection, and information security;
- 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 regulations;
- any inability to protect our intellectual property rights;
- assertions by third parties of infringement of intellectual property rights by us; and
- increased scrutiny from investors, regulators, and other stakeholders relating to environmental, social, and governance issues.

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 CHESS Depositary Interests ("CDIs") on the Australian Securities Exchange ("ASX");
- our convertible note hedge and warrant transactions;
- anti-takeover provisions contained in our amended and restated certificate of incorporation, our 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 growth rate has slowed at times 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 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 Quarterly Report on Form 10-Q. 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 economic conditions, or reductions in the aggregate spending of our sellers' customers. Growth in 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 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 impact on our network 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 changes in the price of, and demand for, 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 products and services within each of our ecosystems 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 in our business. Thus, we may not be able to maintain profitability.

During the three months ended March 31, 2023 and March 31, 2022, we generated a net loss of $19.3 million and net loss of $207.4 million, respectively. As of March 31, 2023, we had an accumulated deficit of $572.6 million.

We intend to continue to make 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 our existing business, which may affect our overall profitability, particularly until we are able to realize expected synergies. For example, prior to its acquisition, Afterpay historically generated net losses. 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 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, Facebook, or Twitter. 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, regulatory and other claims; errors caused by us or our partners; 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 reputation and brands and deter customers from adopting our services or our products. In addition, negative statements about us can and have caused a decline in the market price of our Class A common stock, diverts our management’s attention and resources, and could cause other adverse impacts to our business. Partners and influencers with whom we maintain relationships could engage in behavior or use their platforms to communicate directly with our sellers and customers in a manner that reflects poorly on our brands and such behavior or communications may adversely affect us. Further, negative publicity or commentary regarding the partners and influencers who are, or are perceived to be, affiliated with us may also damage our reputation, even if the negative publicity or commentary is not directly related to us. 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 us, 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 efforts to expand our product portfolio and market reach, including through acquisitions, may not succeed and may reduce our revenue growth and profitability.

We have grown the proportion of revenue from newer products and services in each of the Cash App and Square segments and we intend to continue to broaden the scope of products and services we offer. However, we may not be successful in maintaining or growing our current revenue, 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 or contribute to our profitability. Our offerings may present new and difficult technological, operational, and 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, some of 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 Cash App 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 Cash App altogether and our business, brand, and reputation may be adversely affected. Moreover, our customers could attempt to seek compensation from us for their financial investment losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address. Our expansion into newer markets may not lead to growth and may require significant investment of financial resources and of 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.

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. 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. 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 our efforts in a timely manner or at all.

Our success will depend on our ability to develop new technologies and to adapt to technological changes and evolving industry standards, and our ability to provide products and services that are tailored to specific needs and requirements of our customers. 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. 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 markets and 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. For example, a number of competitors offer BNPL products similar to Afterpay’s. Existing competitors and new entrants in the BNPL space have engaged in, and may continue to engage in, aggressive consumer acquisition campaigns, may develop superior technology offerings, or consolidate with other entities and achieve benefits of scale. Such competitive pressures may materially erode our existing market share in the BNPL space and may hinder our expansion into new markets. In addition, mergers and acquisitions by, and collaborations between, the companies we compete against may lead to even larger competitors with more resources.

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 can 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.

Disruptions in the cryptocurrency market subject us to additional risks.

Recent financial distress in the cryptocurrency market, such as bankruptcies filed by certain cryptocurrency market participants, has increased uncertainty in the global economy. There is no certainty that the measures we have taken will be sufficient to address the risks posed by the downstream effects of continued financial distress in the cryptocurrency market, and we may experience material and adverse impacts to our business as a result of the global economic impacts of such financial distress, including the loss of customer trust in cryptocurrencies, including bitcoin, and any recession or economic downturn that has occurred or may occur in the future.

The ultimate impact of the financial distress in the cryptocurrency market will depend on future developments, including, but not limited to, the downstream effects of the bankruptcies filed by certain cryptocurrency market participants, its severity, and the actions taken by regulators to address its impact. If the cryptocurrency environment further deteriorates, our customers may wish to sell their bitcoin at a price or volume that exceeds the market demand for bitcoin, which could cause disruptions in our operations and have a material and adverse effect on our business and financial condition. If our customers experience losses due to market fluctuations in the prices of bitcoin, they may reduce or cease their use of Cash App and our results of operations may be adversely impacted.

Our investments in bitcoin, our bitcoin ecosystem, and our Cash App feature that permits customers to transact in bitcoin, subject us to additional risks related to any further disruption in the cryptocurrency markets and the resulting impact on customer and investor behavior. For example, any further deterioration in the cryptocurrency markets may have an adverse effect on our reputation, and any negative perception by our customers of one or more cryptocurrencies may lead to a loss of customer demand for our products and services, any of which could have an adverse impact on our business and financial condition. We may also suffer a decline in the market price of our Class A common stock due to any negative perception by our customers, investors, or the general public, of bitcoin or the cryptocurrency markets.

Acquisitions, strategic investments, new businesses, joint ventures, divestitures, and other transactions we enter into 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, 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, including risks that:

- the transaction may not advance our business strategy or may harm our growth, profitability, or reputation;
- 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 on our investment 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, which may result in impairment charges or other negative impacts to our business;
- 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 information 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 have experienced certain of these risks in connection with our past acquisitions, and any of the foregoing could harm our business and negatively impact our results of operations.

We have in the past, and may in the future, 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 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, 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 such as a decline in the business to be divested, 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.

The ongoing integration of Afterpay could disrupt our business and adversely affect our future results of operations.

Our ability to benefit from our acquisition of Afterpay depends on the successful integration of Afterpay with our business. The integration of Afterpay is complex and time consuming and there can be no assurance that the integration will be completed effectively or in a timely manner.

Difficulties that we have encountered and may continue to encounter in the integration process include the following:

- challenges and difficulties associated with managing the larger, more complex, combined company;
- conforming standards and controls and consolidating corporate infrastructures between the companies;
- integrating personnel from the two companies while maintaining focus on developing, producing and delivering consistent, high quality products and services;
- loss of key employees;
- coordinating geographically dispersed organizations;
- addressing differences in business backgrounds, corporate cultures, and management philosophies;
- potential unknown liabilities and unforeseen expenses;
- our ability to deliver on our strategy, including integrating our BNPL platform into our Cash App and Square ecosystems and strengthening the connection between these ecosystems; and
- the diversion of management’s attention caused by integrating the companies’ operations.

TIDAL represents a new line of business for us and subjects us to different risks and uncertainties.

In 2021, we acquired a majority interest in TIDAL which represented a new line of business for us. 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 our 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 offer our services and products in multiple countries and we may 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 new or expanded 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, and the ongoing operation of our global business, subject our business to substantial risks, including:

- difficulty in attracting sellers and customers, or a lack of acceptance of our products and services in foreign markets;
- failure to anticipate competitive conditions and competition with service providers or other market-players that have greater experience in the foreign 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;
- inability 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 complex, potentially conflicting and changing governmental laws and regulations, including with respect to payments, privacy, data protection, information security, and tax;
- compliance with U.S. and foreign anti-corruption, anti-bribery, and anti-money laundering laws;
- enactment of tariffs, sanctions, fines, or other trade restrictions;
- exchange rate risk;

- 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.

Our BNPL platform increases our exposure to consumer defaults and merchant insolvency.

Revenue generated from BNPL products depends on our ability to recoup the purchase value of the goods or services that consumers have purchased using our BNPL platform. Although we rely on technology to assess consumers' repayment capability for our BNPL products, 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, whether due to the current inflationary environment, the possibility of a recession, market volatility, or otherwise, may adversely impact our results of operations, profitability and prospects. In addition, if consumers who have purchased products or services using our BNPL platform do not receive the products or services, they may cease payment on their outstanding balances or request a refund on previous payments, and our business may be negatively impacted.

The performance of our BNPL platform depends also on the sales of products and services by retail merchants. Merchants' sales may decrease as a result of factors outside of their control, including deteriorating macroeconomic conditions and supply chain disruptions. If a merchant ceases its operations, closes some or all of its locations, or fails to deliver goods or services to our consumers, the merchant may not be able to reimburse us for chargebacks or refunds or may not be able to repay the funds we have advanced to them, all of which could result in higher charge-off rates than anticipated. Moreover, if the financial condition of a merchant deteriorates significantly such that the merchant becomes subject to a bankruptcy proceeding, we may not be able to recover any amounts due to us from the merchant, and our financial results would be adversely affected.

We are subject to risks related to the banking ecosystem, including through Square Financial Services, our bank partnerships, and FDIC and other regulatory obligations.

Recent instability and volatility in the banking and financial services sectors, including bank failures, have increased uncertainty in the global economy and increased the risk of a recession. Volatility in the banking and financial services sectors may impact our bank partnerships and could negatively impact our business. For example, we offer certain FDIC-insured products through our partnerships with banks that are members of the Federal Deposit Insurance Corporation ("FDIC"). We believe our banking programs, including records maintained by us and our bank partners, comply with all applicable requirements for each eligible participant'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 the participants' claims as covered by deposit insurance in the event a bank partner fails and enters receivership proceedings under the Federal Deposit Insurance Act ("FDIA"). If the FDIC were to determine that funds held at a bank partner are not covered by deposit insurance, or if one or more of our bank partners were to fail and enter receivership proceedings under the FDIA, our sellers and customers may seek to withdraw their funds, or may not be able to withdraw all their funds in a timely manner, which could adversely affect our brand, business and results of operations, and may lead to claims or litigation, which may be costly to address. Additionally, in instances where we are a service-provider to our bank partners in connection with these programs, we are subject to audit standards for third-party vendors in accordance with federal bank regulatory guidance and examinations by the federal banking regulators.

Further, as a FDIC-insured institution, our subsidiary Square Financial Services is subject to regulatory obligations, including the assessment of 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 deposit insurance assessments or higher fees associated with FDIC-insured products offered through our bank partnerships, or we may be subject to higher capital requirements imposed by the FDIC, our bank partners, or federal banking regulators with authority over our bank partners, which could reduce our profitability, and negatively impact our business and operations.

We intend to continue to explore other products, models, and structures for our product offerings, including with bank partners. Certain of our current product offerings subject us to reporting requirements, bonding requirements, and inspection by applicable federal or state regulatory agencies, and our future product offerings may potentially require, or be deemed to require, additional data, procedures, partnerships, licenses, regulatory approvals, or capabilities that we have not yet obtained or developed. Should we fail to successfully expand and evolve our product offerings, or should our new products, models or structures, or new laws or regulations or interpretations of existing laws or 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 Quarterly Report on Form 10-Q. 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.

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 may subject us to new risks and uncertainties.

As a participant in the Paycheck Protection Program ("PPP") administered by the Small Business Administration ("SBA") and enacted in March 2020 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. While the vast majority of Square Capital's PPP loans have been forgiven or guaranteed at this point, Square Capital's documentation, review, underwriting, and servicing processes could be subject to further scrutiny by the SBA. 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.

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 data 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, incident, or 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 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 sunsetting 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 information 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, investments, or other assets, or other sensitive data 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, and we could face liability and financial losses. If the sensitive data 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. For example, in April 2022 we announced that we determined that a former employee downloaded certain reports of our subsidiary Cash App Investing in December 2021 that contained some U.S. customer information without permission after the former employee's employment ended, as disclosed in our Current Report on Form 8-K filed with the SEC on April 4, 2022. We have incurred costs related to our investigation and response to this incident, and we could incur other losses, costs, and liabilities in connection with such incident.

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, accessed, or breached, 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 or any type of fraud perpetrated by bad actors such as account takeovers or fake account scams, regardless of how it occurs or the extent or nature of the breach, incident, or fraud, 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 on our behalf 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 or incident 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 information 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 and errors in our customer-facing software and hardware, internal systems, external facing communications, manual processes, 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, systems, or external facing communications, including as a result of human errors, our customers' experience with us may be negatively impacted, and we may face negative publicity and harm to our brand and reputation, government inquiries or investigations, claims and litigation. Additionally, we rely on a limited number of component and product suppliers located outside of the U.S. to manufacture our 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 our products. If there are defects in the manufacture of our hardware products, we may face similar negative publicity, investigations, and litigation, and we may not be fully compensated by our suppliers for any financial or other liability that we suffer 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 and our customers' businesses. Software and system errors, or human errors, could delay or inhibit settlement of payments, result in oversettlement, cause reporting errors, cause pricing irregularities 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, which may be caused by or result from cyber-attacks by hackers or others, computer viruses, worms, ransomware, other malicious software programs, security vulnerabilities, employee or service provider theft, misuse or negligence, phishing, identity theft or compromised credentials, denial-of-service attacks, or other causes, have from time to time impacted our business and 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 data 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, any of 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 security incidents is increasing as we experience an increase in electronic payments, e-commerce, and other online activity. Additionally, due to political uncertainty and military actions associated with Russia's invasion of Ukraine, we and our service providers are vulnerable to heightened risks of security incidents and security and privacy breaches from or affiliated with nation-state actors, including attacks that could materially disrupt our systems, operations, supply chain, products, and services. We cannot provide assurances that our preventative efforts against such incidents 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 theft, loss, or destruction of private keys required to access the bitcoin we hold on behalf of ourselves and other parties, such as our customers and our trading partners, may be irreversible, and any failure to safeguard such bitcoin could materially and adversely affect our business, operating results, and financial condition.

We hold bitcoin on behalf of ourselves and other parties such as our customers and our trading partners. Bitcoin can be accessed by the possessor of the unique cryptographic keys relating to the digital wallet in which the bitcoin is 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 bitcoin 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 bitcoin we hold on behalf of ourselves and other parties. The vast majority of bitcoin we hold for ourselves and our customers is held in offline and air-gapped cold storage. To facilitate transactions, we hold a small portion of bitcoin in a networked hot wallet. At times, we may also utilize third-party custodians to custody our bitcoin or a portion of the bitcoin held for our customers on our behalf.

Any inappropriate access or theft of bitcoin held by us or any third-party custodian, or the third-party 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 other parties' bitcoin 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' bitcoin could adversely affect our customers' ability to access or sell their bitcoin and could harm customer trust in us and our products, require us to expend significant funds for remediation, and expose us to litigation, regulatory enforcement actions, 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 bitcoin 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 transact bitcoin on Cash App has increased and the amount of bitcoin we hold on behalf of such customers has grown, the risks and consequences of such adverse events have increased and could materially and adversely affect our business, operating results, and financial condition.

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 our 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 such as account takeovers, 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, the changing and uncertain economic, geopolitical and regulatory environment, and our anticipated domestic and international growth will continue to place significant demands on our risk management and compliance efforts. As our ecosystems grow and our business becomes more complex, we will need to continue developing, improving, and making investments into our risk management infrastructure, techniques, and processes. In addition, when we introduce new products or services, expand existing services, including online payment acceptance and expanded methods of instantly moving money, 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 made certain Cash App functions available to customers 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, recent global supply chain disruptions and shortages 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. In addition, if more of our sellers, or a number of our larger sellers, become insolvent or bankrupt as a result of the global economic downturn, our potential losses from chargebacks and refunds may increase and exceed our reserves, in which case we may suffer financial losses and our business may be adversely affected. 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. For a majority of our transactions, 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. These banks and acquiring processors may fail or refuse to process transactions adequately, may breach their agreements with us, may terminate their agreements with us if they believe we have breached them, 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, increase our costs, or 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, payment networks, 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, and we may be required to pay back some or all of the favorable pricing benefits. 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. Any increase or decrease in interchange fees or assessments or in the fees we pay to our third-party payment processors, payment networks, or financial institutions could increase our costs, 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.

We could be, and in the past have been, subject to penalties from payment card networks if we fail to detect activities that are illegal, contrary to the payment card network operating rules, or considered “high risk.” We must either prevent high-risk individuals from using our products and services or register such high-risk individuals with the payment card networks and conduct additional monitoring with respect to such high-risk individuals. 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 and customers. 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, bank partners, 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, provide liquidity for Cash App's feature that permits our customers to buy and sell bitcoin, and the provision of information and other elements of our services. For example, we rely on a limited number of acquiring processors in some of the jurisdictions in which we offer our services. 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 or renew our agreements with them 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 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. 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. Historically, equity awards have been a key component of our employee compensation, and as a result, any decline in the price of our Class A common stock (directly or relative to the stock price of other companies with which we compete for talent) may adversely impact our ability to retain employees or to attract new employees. 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;
- identifying and mitigating new and developing risks

- 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.

The metrics we use to measure our business 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 metrics inherently require certain assumptions and judgments. For example, we currently identify a Cash App transacting active as a Cash App account that has at least one financial transaction using any product or service within Cash App during a specified period although certain of these accounts may share an alias identifier with one or more other transacting active accounts (for example, families sharing one alias identifier or one customer with multiple accounts). We regularly review our processes for calculating these 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, customers or other stakeholders do not believe our reporting metrics 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. 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, and changes in general market or economic conditions.

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. Excess inventory may also result in inventory write-downs or write-offs and sales 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 business depends 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 royalty 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 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

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 particular, inflation and economic uncertainty have impacted and may continue to impact consumer spending in general and at these businesses specifically. 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 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. We serve sellers across a variety of industry verticals and in an economic downtown, certain verticals, particularly those that may be viewed as discretionary by consumers, may be impacted to a greater degree than others, which may harm our business and financial results.

We may experience material and adverse impacts to our business as a result of the uncertainty and volatility in the banking and financial services sectors, deteriorating macroeconomic conditions, including inflation and interest rate increases, availability of credit, bankruptcies or insolvencies of customers, and the global economic impact of the COVID-19 pandemic, including the worldwide supply chain disruption, and recession or economic downturn. As a result of economic conditions, 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 BNPL products and consumer loan products, such as Cash App Borrow, those customers may also be disproportionately adversely affected by economic downturns, which could negatively impact demand for these offerings or cause loss rates on such products to increase.

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.

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. If we are unable to successfully sublease any unused office space, or if we are unable to successfully terminate any of our leasing commitments, we may incur losses or recognize impairment charges in connection with the 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 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.

Following our acquisition of Afterpay, we assumed Afterpay's financing arrangements with financial institutions in Australia, New Zealand, the United States and the United Kingdom (collectively, the "Warehouse Facilities"). We use the Warehouse Facilities to partly fund our BNPL platform. 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 our ability to obtain additional funding under the Warehouse Facilities. If certain events of default occur under the Warehouse Facilities, we may not be able to draw future funding from those Warehouse Facilities or the debt outstanding under the Warehouse Facilities may be accelerated and our business and financial results could be adversely impacted.

Our credit facility contains affirmative and negative covenants, including customary limitations on the incurrence of certain indebtedness and liens, restrictions on certain intercompany transactions, and limitations on dividends and stock repurchases. The indentures pursuant to which our 2026 Senior Notes and 2031 Senior Notes (collectively, the "Senior Notes") were issued contain 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 Senior Notes, our other outstanding indebtedness, including our 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 March 31, 2023, we had $460.6 million outstanding 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, $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.

Prior to 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. As of February 15, 2023, the 2023 Convertible Notes are convertible at the option of the holders thereof until the second scheduled trading day immediately preceding May 15, 2023, the maturity date. Whether the Convertible Notes of any series (other than the 2023 Convertible Notes, which are now freely convertible at the option of the holders) will be convertible following a 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 when eligible, we will be required to make cash payments in respect of the Convertible Notes being converted unless we elect to deliver solely shares of our Class A common stock to settle such conversion. We currently expect to settle future conversions of our 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, as applicable. 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 are subject to volatile market prices, impairment, and other risks of loss.

As of March 31, 2023, we have made cumulative investments in bitcoin of $220.0 million. We may make additional bitcoin purchases in the future. The price of bitcoin has been highly volatile and may continue to be volatile in the future, including as a result of various associated risks and uncertainties. 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. To the extent the market value of the bitcoin we hold continues to decrease relative to the purchase prices, our financial condition may be adversely impacted.

Moreover, bitcoin currently is considered an indefinite-lived intangible asset under current 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 foreign currency 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, local 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. On December 12, 2022, the EU Council unanimously agreed to implement the 15% global minimum tax rate, which EU member countries are required to adopt into their respective tax codes by the end of 2023. Although certain implementation details have yet to be developed and the enactment of these changes has not yet taken effect, these changes may have adverse tax consequences for us.

On August 16, 2022, the Inflation Reduction Act (“IRA”) was enacted in the United States, which introduced, among provisions, a new minimum corporate income tax on certain large corporations, an excise tax of 1% on certain share repurchases by corporations, and increased funding for the Internal Revenue Service (“IRS”). Although we do not anticipate the new corporate minimum income tax will currently apply to us, changes in our business and any future regulations or other guidance on the interpretation and application of the new corporate minimum tax, as well as the potential application of the share repurchase excise tax, may result in additional taxes payable by us, which could materially and adversely affect our financial results and operations.

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, loan taxes, or other taxes relating to our activities, which 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, the U.S. federal government, and certain foreign jurisdictions have considered or adopted laws or administrative practices that impose obligations for on-demand and streaming services, 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. For example, the American Rescue Plan Act of 2021 requires businesses that process payments, such as Cash App, to report payments for goods and services on Form 1099-K when those transactions total $600 or more in a year for a given seller. This reporting requirement applies to Cash for Business accounts, not personal Cash App accounts. The new threshold is currently expected to apply to transactions occurring in 2023, subject to any changes implemented by the IRS. 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 March 31, 2023, 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 an 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, anti-bribery and anti-corruption, escheatment, sanctions regimes and export controls, privacy, data protection and information security, fiscalization 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 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 and blockchain technology, we may not be able to prevent all such transactions, and there can be no guarantee that our measures will be viewed as sufficient. The regulation of bitcoin, as well as cryptocurrency and crypto platforms is an evolving area, and we could become subject to additional legislation or regulation in the future. For example, Louisiana's virtual currency regulatory scheme became effective on January 1, 2023 and requires covered entities, such as Block, to obtain a license to continue its feature permitting customers to buy and sell bitcoin. It is possible that other states may also issue similar licensing requirements. As another example, the Financial Crimes Enforcement Network ("FinCEN") has issued a proposed rule that would require bitcoin providers like us to keep additional records of and file additional reports to FinCEN of certain bitcoin transaction information. There are substantial uncertainties on how these proposed requirements would apply in practice, and we may face substantial compliance costs to operationalize and comply with these requirements should FinCEN finalize this rule as proposed. If we fail to comply with regulations or prohibitions applicable to us, we could face regulatory or other enforcement actions, potential fines, reputational harm, and other consequences. Further, we might not be able to continue operating the feature in Cash App, at least in current form, or might need to make other changes to our business, our products or our services, 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 audits, inspections, inquiries, investigations, fines, or other actions or 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 failure by us to comply with 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 criminal and civil liability.

Our business is subject to complex and evolving regulations and oversight related to privacy, data protection, and information 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 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. Both the EU and the U.K. have issued updated SCCs that are required to be implemented. These and other developments relating to cross-border data transfer could result in increased costs of compliance and limitations on our customers and us. Additionally, 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., the Data Protection Act and legislation referred to as the UK GDPR substantially enact the EU GDPR into U.K. law, with penalties for noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues. The European Commission has issued an adequacy decision under the GDPR and the Law Enforcement Directive, pursuant to which personal data generally may be transferred from the EU to the U.K. without restriction, subject to a four-year "sunset" period, after which the European Commission's adequacy decision may be renewed. During that period, the European Commission will continue to monitor the legal situation in the U.K. and may intervene at any time with respect to its adequacy decision. The UK's adequacy determination therefore is subject to future uncertainty and may be subject to modification or revocation in the future. We could be required 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. Additionally, on January 13, 2022, the Austrian data protection regulator published a decision ruling that the collection of personal data and transfer to the U.S. through Google Analytics and other analytics and tracking tools used by website operators violates the GDPR. The Dutch, French and Italian data protection regulators have adopted similar decisions. Other data protection regulators in the EU increasingly are focused on the use of online tracking tools. Any of these changes or other developments with respect to EU data protection law could disrupt our business and otherwise adversely impact our business, financial condition, and operating results. 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 was modified by the California Privacy Rights Act ("CPRA"), which was passed in November 2020 and became 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 information 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, Virginia enacted the Virginia Consumer Data Protection Act in March 2021, Colorado enacted the Colorado Privacy Act in July 2021, Utah enacted the Utah Consumer Privacy Act in March 2022, and Connecticut enacted An Act Concerning Personal Data Privacy and Online Monitoring in May 2022, and Iowa enacted An Act Relating to Consumer Data Protection in March 2023. All of these are comprehensive privacy statutes that share similarities with the CCPA and CPRA and have or will become effective in 2023, except for Iowa's law, which takes effect in 2025. 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, data protection, and information 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 information 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 are currently, and may continue to be, subject to claims, lawsuits (including class actions and individual lawsuits), government or regulatory investigations, subpoenas, inquiries or audits, and other actions or 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, 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, in December 2021, H&R Block 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 need to seek a license to continue existing practices as a result of changes in law or for which we are found to be in violation of a third-party's rights. We may also need to change or cease certain practices altogether. 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 but not limited to 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.

The regulation of BNPL products is still an evolving area, and it is possible that other states or countries pass new or additional regulations that could adversely impact the way we operate our BNPL platform, at least in its current form. With the geographic expansion of our BNPL platform into new markets, we may also become subject to additional and changing legal, regulatory, tax, licensing, and compliance requirements and industry standards with respect to BNPL products. In addition, the Consumer Financial Protection Bureau ("CFPB") recently announced plans to regulate companies offering BNPL products. Increased compliance obligations and regulatory scrutiny may negatively impact our revenue and profitability. Our inability, or perceived inability, to comply with existing or new compliance obligations issued by the CFPB or any other regulatory authority, including with respect to BNPL products, could lead to regulatory investigations, or result in administrative or enforcement action, such as fines, penalties, and/or enforceable undertakings and adversely affect us and our results of operations. Regulatory scrutiny or changes in the BNPL space may impose significant compliance costs and make it uneconomical for us to continue to operate in our current markets or for us to expand into new markets.

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 negatively impact our business and operations and those of 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 (the "Dodd-Frank Act") effected significant changes to U.S. financial regulations and required rule making 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. Unauthorized disclosure or use of our intellectual property rights may also occur if third parties were to breach the licensing terms under which certain of our innovations are offered broadly, including under open source licenses. 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 us 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. Although we expend significant resources to seek to comply with the statutory, regulatory, and judicial frameworks and 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.

Increased scrutiny from investors, regulators, and other stakeholders relating to environmental, social, and governance issues could result in additional costs for us and may adversely impact our reputation.

Investors, regulators, customers, employees and other stakeholders are increasingly focused on environmental, social, and governance (“ESG”) matters. Our ESG strategy is focused on four key areas: driving financial inclusion throughout our ecosystem and in our communities, taking climate action for a more resilient and sustainable future, advancing inclusion and diversity across our distributed workplace, and designing corporate governance to promote trust and long-term value, and we publicly report on certain commitments, initiatives, and goals regarding ESG matters in our annual Corporate Social Responsibility Report, on our website, in our SEC filings, and elsewhere. For example, we are committed to increasing the diversity of our workforce and one of our climate change goals is to have net zero carbon for operations by 2030. The implementation of our ESG commitments, initiatives, and goals may require additional investments, and in certain cases, are reliant on third-party verification and/or performance, and we cannot guarantee that we will make progress on our commitments and initiatives or achieve our goals. If we fail, or are perceived to fail, to make such progress or achievements, or to maintain ESG practices that meet evolving stakeholder expectations, or if we revise any of our ESG commitments, initiatives, or goals, our reputation and our ability to attract and retain employees could be harmed, and we may be negatively perceived by investors or our customers. To the extent that our required or voluntary disclosures about ESG matters increase, we could also be criticized or face claims regarding the accuracy, adequacy, or completeness of such disclosures and our reputation could be negatively impacted. In addition, regulatory requirements with respect to carbon emissions disclosures and other aspects of ESG may result in increased compliance requirements on our business and supply chain, and may increase our operating costs.

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 52.77% of the voting power of our combined outstanding capital stock as of March 31, 2023. Our executive officers and directors and their affiliates held approximately 53.50% of the voting power of our combined outstanding capital stock as of March 31, 2023. 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 Quarterly Report on Form 10-Q, 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, media or other third parties, 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 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 CDIs on the 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.

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 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 (1) the Delaware Court of Chancery or another 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 and (2) the federal district courts of the U.S. will be the exclusive forum for all causes of action arising under the Securities Act, 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.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q (numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit Number	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**
10.1+*	Separation Agreement between the Registrant and Sivan Whiteley, dated as of April 26, 2023.				
31.1	Certification of Principal 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 Principal 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 Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Stockholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements.				
104	Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101)				

* Filed herewith.

\+ Indicates management contract or compensatory plan.

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Block, Inc. 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 Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLOCK, INC.

Date:	May 4, 2023	By:	/s/ Jack Dorsey
			Jack Dorsey
			Block Head and Chairperson
			(Principal Executive Officer)
		By:	/s/ Amrita Ahuja
			Amrita Ahuja
			Chief Financial Officer & Chief Operating Officer
			(Principal Financial Officer)

Exhibit 10.1

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release ("Agreement") is made by and between Sivan Whiteley ("Employee") and Block, Inc. (the "Company") (jointly referred to as the "Parties" or individually referred to as a "Party").

RECITALS

WHEREAS, Employee served as the Company's Chief Legal Officer and Corporate Secretary until February 16, 2023;

WHEREAS, Employee and the Company announced Employee's separation from the Company, effective April 7, 2023 (the "Separation Date")

WHEREAS, Employee continued employment with the Company providing transition services until the Separation Date; and continued to receive Employee's base salary, benefits, and continued to vest in the equity awards previously granted to Employee by the Company until the Separation Date; and

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that the Employee may have against the Company and any of the Releasees (as defined below), including, but not limited to, any and all claims arising out of or in any way related to Employee's employment with or separation from the Company.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Employee hereby agree as follows:

COVENANTS

1. Consideration. If Employee signs this Agreement and complies with its terms, Block will extend Employee's post-termination period to exercise Employee's stock options that are vested and exercisable as of the Separation Date, until two years following the Separation Date (i.e., until April 7, 2025) (the "Extension"), provided that (i) Employee has not validly revoked this Agreement, and (ii) any period by which to revoke this Agreement has expired. Employee acknowledges that, absent this Agreement, the post-termination exercise period would expire 90 days from the Separation Date, pursuant to the Company's 2015 Equity Incentive Plan (the "2015 Plan"). Employee's vested and exercisable stock options as of the Separation Date consist of those shown in the attached Exhibit A. Except for the Extension, such options will remain subject to the terms of the applicable award agreement and the 2015 Plan.

As a condition of receiving an extension on Employee's post-termination option exercise period, Employee agrees to release the claims as described in paragraph 4. Employee further agrees to execute any additional documentation deemed reasonably necessary by the Company to confirm Employee's separation from employment with the Company and as an officer and director of the Company and its subsidiaries.

2. Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than the consideration set forth in this Agreement, the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, reimbursable expenses, and any and all other benefits and compensation due to Employee as of the date of this Agreement and that Employee is not entitled to any further benefits or compensation of any kind from the Company. Employee further acknowledges that Employee's separation from Block was a purely voluntary resignation without Good Reason, did not result from a Change of Control of Block and was not an involuntary termination, and that Employee is not entitled to any severance, benefits, or accelerated vesting of equity awards under Employee's Change of Control and Severance Agreement signed January 27, 2020 ("COC Agreement"). The terms Good Reason and Change of Control are defined in the COC Agreement. For the avoidance of doubt, nothing in this Agreement supersedes or undermines Employee's rights to be indemnified and/or reimbursed for legal fees/expenses incurred by Employee in connection

with claims brought against the Company or Employee that result from Employee's service at the Company, pursuant to Employee's Indemnification Agreement with the Company (dated March 19, 2018), but Employee represents that, as of the date of this Agreement, Employee is not aware of any reimbursable amounts owed under the Indemnification Agreement or any basis for such a claim.

3. Company Equity Awards. Any of Employee's unvested Company stock options ("Options") and unvested restricted stock units ("RSUs") continued to vest through the Separation Date. On the Separation Date, all unvested Options or RSUs were canceled and the underlying shares forfeited. Employee should seek independent advice regarding any financial, tax, or securities law issues regarding Employee's Options or RSUs.

4. Release of Claims. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Company and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, professional employer organization or co-employer, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Employee, on Employee's own behalf and on behalf of Employee's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Employee may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date (as defined below) of this Agreement, including, without limitation:

a. any and all claims relating to, or arising from, Employee's employment relationship with the Company and the termination of that relationship, including any and all claims under the COC Agreement;

b. any and all claims relating to, or arising from, Employee's right to purchase or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

c. any and all claims for wrongful discharge of employment, termination in violation of public policy, discrimination, harassment, retaliation, breach of contract (both express and implied), breach of covenant of good faith and fair dealing (both express and implied), promissory estoppel, negligent or intentional infliction of emotional distress, fraud, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, conversion, and disability benefits;

d. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Equal Pay Act of 1963, the Fair Labor Standards Act, the Fair Credit Reporting Act, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Employee Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act of 2002, the Immigration Control and Reform Act, the California Family Rights Act, the California Labor Code, the California Workers' Compensation Act, and the California Fair Employment and Housing Act;

e. any and all claims for violation of the federal or any state constitution;

f. any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

g. any claim for any loss, cost, damage, backpay, reinstatement, or expense arising out of any dispute over the nonwithholding or other tax treatment of any of the proceeds received by Employee as a result of this Agreement; and

h. any and all claims for attorneys' fees, interest, penalties, compensatory damages, emotional distress, punitive damages, and costs.

This release also waives any disputed wage claims, and upon payment of Employee's final paycheck, the Company has paid all wages due to Employee. Employee agrees that the release set forth in this paragraph shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any existing legal obligation to indemnify Employee or any claims that cannot be waived by law, including any Protected Activity (as defined below). This release does not extend to any right Employee may have to unemployment compensation benefits.

5. <u>Acknowledgment of Waiver of Claims under ADEA</u>. Employee acknowledges that Employee is waiving and releasing any rights Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Employee agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date (as defined below) of this Agreement. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been advised by this writing that Employee: (a) should consult with an attorney <u>prior</u> to executing this Agreement; (b) has twenty-one (21) days within which to consider this Agreement (although Employee may choose to sign it at any time); (c) has seven (7) days following execution of this Agreement to revoke this Agreement; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Employee from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Employee signs this Agreement and returns it to the Company in less than the 21-day period identified above, Employee hereby acknowledges that Employee has freely and voluntarily chosen to waive the time period allotted for considering this Agreement. Employee acknowledges and understands that revocation must be accomplished by a written notification to the person executing this Agreement on the Company's behalf that is received prior to the Effective Date (as defined below). The Parties agree that changes, whether material or immaterial, do not restart the running of the 21-day period. Nothing in this Agreement shall waive Employee's right to challenge the validity of this Agreement under the Older Workers Benefit Protections Act.

6. <u>California Civil Code Section 1542</u>. Employee acknowledges that Employee has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Employee, being aware of said code section, agrees to expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to Employee's release of any unknown or unsuspected claims Employee may have against the Releasees.

7. <u>No Pending Actions and Covenant Not to Su</u>e: Employee represents that Employee has no pending actions, lawsuits, charges, exhaustion notices, notices of claims, or other claims of any nature whatsoever against Releasees. Further, Employees agrees not to assert or initiate any claims, charges, or other legal proceedings, and will not file suit seeking to recover any further relief against Releasees in any forum, relating to, arising out of, or in connection with Employee's employment or separation thereof. Employee further agrees to "opt out" of any class action, should any such action be filed, arising from any event occurring up to the execution of this Agreement, in which the

Releasees are named as a defendant. Nothing in this Agreement, however, precludes Employee from filing any claim or charge, which, as a matter of law, cannot be waived or released by private agreement.

8. Confidentiality. Subject to paragraph 11 governing Protected Activity, Employee agrees to maintain in complete confidence the contents and terms of this Agreement (hereinafter collectively referred to as "Separation Information"). Except as required by law, Employee may disclose Separation Information only to Employee's immediate family members, the arbitrator or court in any proceedings to enforce the terms of this Agreement, Employee's attorney(s), and Employee's accountant(s) and any professional tax advisor(s) to the extent that they need to know the Separation Information in order to provide advice on tax treatment or to prepare tax returns, and must prevent disclosure of any Separation Information to all other third parties. Employee agrees that Employee will not publicize, directly or indirectly, any Separation Information.

9. Trade Secrets and Confidential Information/Company Property. Employee reaffirms and agrees to observe and abide by the terms of the Confidential Information and Invention Assignment Agreement Employee signed with the Company on February 15, 2013 (the "Confidentiality Agreement"), specifically including the provisions therein regarding nondisclosure of the Company's trade secrets and confidential and proprietary information and nonsolicitation of Company employees. Employee's signature below constitutes Employee's certification under penalty of perjury that Employee will return all documents and other items provided to Employee by the Company (with the exception of a copy of the Employee Handbook and personnel documents specifically relating to Employee), developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company, by the Termination Date. Pursuant to the Defend Trade Secrets Act of 2016, Employee may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

10 Cooperation. Employee agrees to reasonably cooperate with and make themselves available on a continuing basis to Block and its representatives and legal advisors in connection with any matters in which Employee is or was involved or any existing or future claims, investigations, administrative proceedings, lawsuits, and other legal and business matters, as requested by Block. Subject to paragraph 11 governing Protected Activity, Employee agrees that Employee will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so or as related directly to the ADEA waiver in this Agreement. Employee agrees both to immediately notify the Company upon receipt of any such subpoena or court order, and to furnish, within two (2) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee shall state no more than that Employee cannot provide counsel or assistance. Employee understands that nothing in this Agreement prevents him or her from cooperating with any government investigation, as discussed in the Protected Activity section below.

11. Protected Activity Not Prohibited. Employee understands that nothing in this Agreement shall in any way limit or prohibit Employee from engaging for a lawful purpose in any Protected Activity. For purposes of this Agreement, "Protected Activity" shall mean:

- Engage in communications or actions protected by applicable law, such as certain rights Employee may have to discuss wages and working conditions with other employees (with or without a union) under Section 7 of the National Labor Relations Act or under federal and state equal pay laws;

- File a charge with, provide information to, cooperate with or participate in an investigation conducted by, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"), and without notice to Block;
- Receive an award for information provided to any Government Agencies;
- Disclose factual information relating to acts in the workplace or that occurred in connection with Employee's employment, that Employee reasonably believes are unlawful, including, for example, claims of sexual assault, sexual harassment, or discrimination based on sex or any other characteristic protected under federal law or the laws of the state where Employee was last employed, or retaliation for filing a claim of sexual assault; or
- Testify in an administrative, legislative, or judicial proceeding concerning alleged criminal conduct or alleged sexual harassment on the part of the Company or its agents or employees, if Employee has been required or requested to attend the proceeding pursuant to a court order, subpoena, or written request from an administrative agency or the legislature.
- NOTE: With respect to Confidential Information, Employee must not disclose more than is reasonably necessary to effect any Protected Rights Employee may have as identified above. For example, filing a charge with a Government Agency does not entitle Employee to divulge Confidential Information that is not relevant to the charge. Confidential Information is defined in the Confidential Information and Invention Assignment Agreement that Employee signed in connection with Employee's work at Block, and it includes technical data, trade secrets, know-how, research, product or service ideas or plans, and other business information.

12. Nondisparagement. Employee agrees that Employee will not disparage, criticize, ridicule, or make derogatory remarks about the Releasees to members of the media or any third party, in any manner likely to be harmful to them or their business, business reputation, or personal reputation. Employee agrees that the provisions of this paragraph 12 are material terms of this Agreement. This paragraph does not limit Employee's Protected Rights as defined in the Protected Activity section above**.**

13. Breach. In addition to the rights provided in the "Attorneys' Fees" paragraph below, Employee acknowledges and agrees that any material breach of this Agreement, unless such breach constitutes a legal action by Employee challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, or of any provision of the Confidentiality Agreement, shall entitle the Company immediately to recover and/or cease providing the consideration provided to Employee under this Agreement and to obtain damages, except as provided by law**.**

14. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the consideration provided to Employee or made on Employee's behalf under the terms of this Agreement. Employee agrees and understands that Employee is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon. Employee further agrees to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of (a) Employee's failure to pay or delayed payment of federal or state taxes or (b) damages sustained by the Company by reason of any such claims, including attorneys' fees and costs**.**

15. Section 409A. It is intended that this Agreement comply with, or be exempt from, Code Section 409A and the final regulations and official guidance thereunder ("Section 409A") and any ambiguities herein will be interpreted to so comply and/or be exempt from Section 409A. Each payment and benefit to be paid or provided under this Agreement is intended to constitute a series of separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. The Company and Employee will work together in good faith to consider either (a)

amendments to this Agreement or (b) revisions to this Agreement with respect to the payment of any awards, which are necessary or appropriate to avoid imposition of any additional tax or income recognition prior to the actual payment to Employee under Section 409A. In no event will the Company reimburse Employee for any taxes that may be imposed on Employee as a result of Section 409A.

16. Arbitration. Any and all controversies arising out of or relating to the validity, interpretation, enforceability, or performance of this Agreement will be exclusively and finally settled by means of binding arbitration, on an individual basis only, with JAMS before a single, neutral arbitrator within 50 miles of the location where Employee last worked for Block. Any arbitration shall be conducted in accordance with the applicable JAMS Rules then in effect. All arbitrator's fees and related expenses shall be divided equally between the parties. Further, each party shall bear its own attorney's fees and costs incurred in connection with the arbitration. This Agreement shall not preclude either party from requesting a court to grant any provisional remedy (including a temporary restraining order or preliminary injunction), if, absent such provisional relief, the arbitration award may be rendered ineffectual.

17. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement.

18. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof is held to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision, except that if any aspect of the release (paragraph 4) is substantially invalidated as to any Release, this Agreement shall become null and void, and Block may, at its sole discretion, expedite the remaining portion of the option exercise period.

19. Attorneys' Fees. Except with regard to a legal action challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, in the event that either Party brings an action to enforce or effect its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

20. Entire Agreement. This Agreement and the COC Agreement represent the entire agreement and understanding between the Company and Employee concerning the subject matter of this Agreement and Employee's employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Employee's relationship with the Company, with the exception of the Offer Letter, Confidentiality Agreement, the Indemnification Agreement between you and the Company, dated as of March 19, 2018, and the applicable equity award agreements, except as modified herein.

20. No Oral Modification. This Agreement may only be amended in a writing signed by Employee and the Company's Chief Executive Officer.

21. Governing Law. This Agreement shall be governed by the laws of the State of California, without regard for choice-of-law provisions. Employee consents to personal and exclusive jurisdiction and venue in the State of California.

22. Effective Date. Employee understands that this Agreement shall be null and void if not executed by Employee within twenty-one (21) days. Employee has seven (7) days after signing this Agreement to revoke it. This Agreement will become effective on the eighth (8th) day after Employee signs this Agreement, so long as it has been signed by the Parties and has not been revoked before that date (the "Effective Date").

23. Counterparts. This Agreement may be executed in counterparts and each counterpart shall be deemed an original and all of which counterparts taken together shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. The counterparts of this Agreement may be executed and delivered by facsimile, photo, email PDF, or other electronic transmission or signature.

24. Voluntary Execution of Agreement. Employee understands and agrees that Employee executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Employee's claims against the Company and any of the other Releasees. Employee represents that Employee has had an opportunity to consult with an attorney and has carefully read and understands the scope and effect of the provisions of this Agreement. Employee further acknowledges that Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

/s/ Sivan Whiteley
Sivan Whiteley
Dated: April 26, 2023

/s/ Felicia Mayo
Felicia Mayo
People Lead
Block, Inc.
Dated: April 26, 2023

EXHIBIT A

Vested and Exercisable Stock Options as of the Separation Date

Grant Number	Grant Date	Plan/Type	Price	Vested and Exercisable
01560983	04/25/2018	2015/NQ	$44.7500	47,699
01567274	04/24/2019	2015/NQ	$71.9900	66,149
01569074	04/21/2020	2015/NQ	$57.4000	90,536
01572236	09/01/2020	2015/NQ	$166.6600	3,175
01581712	04/27/2021	2015/NQ	$253.7900	13,248
01599771	04/19/2022	2015/NQ	$125.6200	14,710

Exhibit 31.1

CERTIFICATION OF PRINCIPAL 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 Quarterly Report on Form 10-Q 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: May 4, 2023

By: /s/ Jack Dorsey
Jack Dorsey
Block Head and Chairperson
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL 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, Amrita Ahuja, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 4, 2023

By: /s/ Amrita Ahuja
Amrita Ahuja
Chief Financial Officer & Chief Operating Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL 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 Quarterly Report on Form 10-Q of Block, Inc. for the fiscal quarter ended March 31, 2023 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Block, Inc.

Date: May 4, 2023

By: /s/ Jack Dorsey
Jack Dorsey
Block Head and Chairperson
(Principal Executive Officer)

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 Quarterly Report on Form 10-Q of Block, Inc. for the fiscal quarter ended March 31, 2023 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Block, Inc.

Date: May 4, 2023

By: /s/ Amrita Ahuja
Amrita Ahuja
Chief Financial Officer & Chief Operating Officer
(Principal Financial Officer)