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

FORM 10-K/A
(Amendment No.1)

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________

Commission File Number 001-40956

Udemy, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**27-1779864**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
600 Harrison Street, 3rd Floor San Francisco, California	**94107**
(Address of Principal Executive Offices)	(Zip Code)

(415) 813-1710
(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
Common Stock, $0.00001 par value	UDMY	The Nasdaq Stock Market

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

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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

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

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

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

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

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant on December 31, 2021, based on the closing price of the registrant's common stock as reported by the Nasdaq Stock Exchange on that date, was approximately $1.1 billion. The registrant has elected to use December 31, 2021 as the calculation date because on June 30, 2021 (the last business day of the registrant's most recently completed second fiscal quarter), the registrant was a privately held company. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of March 15, 2022, 139,534,116 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to the registrant's 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2021.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this “Form 10-K/A”) amends the Annual Report on Form 10-K of Udemy, Inc. for the fiscal year ended December 31, 2021, originally filed with the Securities and Exchange Commission (the “SEC”) on March 25, 2022 (the “Original 10-K”). This Form 10-K/A is being filed to amend and refile Part II, Item 8 to properly reflect the audit report delivered by our independent registered public accounting firm, Deloitte & Touche LLP (“Deloitte”), and to disclose Deloitte’s tenure as our auditor, which was inadvertently excluded in the original filing.

Pursuant to the rules of the SEC, we have also included as exhibits currently dated certifications required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. We are amending and refiling Part IV, Item 15 to reflect the inclusion of those certifications, along with any changes to Part IV, Item 15 that occurred after the date of the Original 10-K.

Except as described above, no other changes have been made to the Original 10-K. Except as otherwise indicated herein, this Form 10-K/A continues to speak as of the date of the Original 10-K, and we have not updated the disclosures contained therein to reflect any events that occurred subsequent to the date of the Original 10-K. The filing of this Form 10-K/A is not a representation that any statements contained in items of the Original 10-K other than Part II, Item 8; Part IV, Item 15; and the aforementioned portions of the cover page are true or complete as of any date subsequent to the Original 10-K.

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PART II.

Item 8. Consolidated financial statements

The following financial statements are filed as part of this report:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Udemy, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Udemy, Inc. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders’ equity (deficit), and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

March 25, 2022

We have served as the Company’s auditor since 2019.

Udemy, Inc.
Consolidated Balance Sheets
(*in thousands, except per share amounts*)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 533,868	$ 175,031
Accounts receivable, net of allowance for doubtful accounts of $678 and $643 as of December 31, 2021 and December 31, 2020, respectively.	73,180	46,257
Prepaid expenses and other current assets	15,927	6,036
Deferred contract costs, current	18,898	9,640
Total current assets	641,873	236,964
Property and equipment, net	9,887	9,106
Capitalized software, net	20,054	14,013
Restricted cash, non-current	2,900	2,900
Deferred contract costs, non-current	25,647	16,197
Strategic investments	10,000	—
Intangible assets, net	13,597	—
Goodwill	12,646	—
Other assets	3,247	2,916
Total assets	$ 739,851	$ 282,096
Liabilities, redeemable convertible preferred stock, and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 34,627	$ 23,710
Accrued expenses and other current liabilities	40,140	46,778
Content costs payable	35,961	31,483
Accrued compensation and benefits	22,341	20,403
Deferred revenue	208,274	141,439
Total current liabilities	341,343	263,813
Deferred revenue, non-current	2,280	937
Other liabilities, non-current	6,528	3,927
Total liabilities	350,151	268,677
Commitments and contingencies (Note 9)		
Redeemable convertible preferred stock:		
Redeemable convertible preferred stock, $0.00001 par value - zero and 86,348,646 shares authorized; zero and 85,391,338 shares issued and outstanding; and aggregate liquidation value of zero and $274,009 as of December 31, 2021 and December 31, 2020, respectively.	—	274,104
Stockholders' equity (deficit):		
Preferred stock, $0.00001 par value- 50,000,000 and zero shares authorized; zero shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively.	—	—
Common stock, $0.00001 par value - 950,000,000 and 150,000,000 shares authorized; 139,164,693 and 35,627,503 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively.	1	—
Additional paid-in capital	848,229	117,818
Accumulated other comprehensive loss	(1)	—
Accumulated deficit	(458,529)	(378,503)
Total stockholders' equity (deficit)	389,700	(260,685)
Total liabilities, redeemable convertible preferred stock, and stockholders' equity (deficit)	$ 739,851	$ 282,096

See accompanying notes to consolidated financial statements.

Udemy, Inc.
Consolidated Statements of Operations
(*in thousands, except per share amounts*)

	Fiscal Year Ended December 31,		
	2021	2020	2019
Revenue	$ 515,657	$ 429,899	$ 276,327
Cost of revenue	236,024	209,253	143,510
Gross profit	279,633	220,646	132,817
Operating expenses			
Sales and marketing	227,023	192,600	126,436
Research and development	66,107	50,643	34,379
General and administrative	64,410	50,783	40,033
Total operating expenses	357,540	294,026	200,848
Loss from operations	(77,907)	(73,380)	(68,031)
Other income (expense)			
Interest income (expense), net	(16)	(1,146)	87
Other income (expense), net	(920)	55	(384)
Total other expense, net	(936)	(1,091)	(297)
Net loss before taxes	(78,843)	(74,471)	(68,328)
Income tax provision	(1,183)	(3,149)	(1,375)
Net loss attributable to common stockholders	$ (80,026)	$ (77,620)	$ (69,703)
Net loss per share attributable to common stockholders			
Basic and diluted	$ (1.46)	$ (2.33)	$ (2.57)
Weighted-average shares used in computing net loss per share attributable to common stockholders			
Basic and diluted	54,972,827	33,384,438	27,096,379

See accompanying notes to consolidated financial statements.

Udemy, Inc.
Consolidated Statements of Comprehensive Loss
(*in thousands*)

	Fiscal Year Ended December 31,		
	2021	2020	2019
Net loss	$ (80,026)	$ (77,620)	$ (69,703)
Change in unrealized gain on marketable securities	—	—	54
Foreign currency translation losses	(1)	—	—
Comprehensive loss	$ (80,027)	$ (77,620)	$ (69,649)

See accompanying notes to consolidated financial statements.

Udemy, Inc.
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
(*in thousands, except per share amounts*)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance— January 1, 2019	79,472,483	$ 155,645	26,595,462	$ —	$ 54,399	$ (54)	$ (237,913)	$ (183,568)
Stock-based compensation	—	—	—	—	9,208	—	—	9,208
Unrealized gain on investments	—	—	—	—	—	54	—	54
Exercise of stock options	—	—	4,024,143	—	11,265	—	—	11,265
Cumulative effect of adoption of ASC Topic 606	—	—	—	—	—	—	6,733	6,733
Vesting of early-exercised stock options	—	—	—	—	421	—	—	421
Net loss	—	—	—	—	—	—	(69,703)	(69,703)
Balance—December 31, 2019	79,472,483	155,645	30,619,605	—	75,293	—	(300,883)	(225,590)
Issuance of Series E Convertible Preferred Stock, net of $52 issuance costs	2,569,043	39,948	—	—	—	—	—	—
Issuance of Series F Convertible Preferred Stock, net of $2,320 issuance costs	3,349,812	78,511	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	32,135	—	—	32,135
Exercise of stock options	—	—	5,007,898	—	10,383	—	—	10,383
Vesting of early exercised stock options	—	—	—	—	7	—	—	7
Net loss	—	—	—	—	—	—	(77,620)	(77,620)
Balance—December 31, 2020	85,391,338	274,104	35,627,503	—	117,818	—	(378,503)	(260,685)
Exercise of Series A-1 redeemable convertible preferred stock warrants	12,595	163	—	—	—	—	—	—
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(85,403,933)	(274,267)	85,403,933	1	274,266	—	—	274,267
Issuance of common stock in connection with initial public offering, net of issuance costs and underwriting discount	—	—	15,150,000	—	408,416	—	—	408,416
Stock-based compensation	—	—	—	—	36,701	—	—	36,701
Exercise of stock options	—	—	2,921,957	—	11,028	—	—	11,028
Restricted stock issued for business combination	—	—	61,300	—	—	—	—	—
Cumulative translation adjustment	—	—	—	—	—	(1)	—	(1)
Net loss	—	—	—	—	—	—	(80,026)	(80,026)
Balance—December 31, 2021	—	$ —	139,164,693	$ 1	$ 848,229	$ (1)	$ (458,529)	$ 389,700

See accompanying notes to consolidated financial statements.

Udemy, Inc.
Consolidated Statements of Cash Flows
(*in thousands*)

	Fiscal Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net loss	$ (80,026)	$ (77,620)	$ (69,703)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	15,297	11,055	8,740
Amortization of deferred sales commissions	17,801	7,486	3,038
Stock-based compensation	34,680	31,618	8,963
Provision for doubtful accounts	326	182	642
Change in fair value of warrant liability	—	52	58
Other	—	—	95
Changes in operating assets and liabilities:			
Accounts receivable	(27,000)	(19,632)	(10,578)
Prepaid expenses and other assets	(9,903)	(3,344)	(1,727)
Deferred contract costs	(36,508)	(18,943)	(10,685)
Accounts payable, accrued expenses and other liabilities	7,272	17,488	26,279
Content costs payable	4,389	6,615	3,113
Deferred revenue	66,568	54,667	25,310
Net cash provided by (used in) operating activities	(7,104)	9,624	(16,455)
Cash flows from investing activities:			
Purchases of property and equipment	(5,335)	(5,180)	(3,328)
Capitalized software costs	(12,868)	(9,357)	(7,793)
Purchase of marketable securities	—	—	(1,542)
Proceeds from sale and maturity of marketable securities	—	—	27,274
Payments related to business combinations, net of cash acquired	(24,490)	—	—
Purchases of strategic investments	(10,000)	—	—
Net cash provided by (used in) investing activities	(52,693)	(14,537)	14,611
Cash flows from financing activities:			
Net proceeds from exercise of stock options	10,878	10,383	11,265
Net proceeds from issuance of redeemable convertible preferred stock	2	120,710	—
Payment of redeemable convertible preferred stock issuance costs	(2,250)	—	—
Payment of deferred offering costs	(5,183)	—	—
Cash proceeds from initial public offering	415,187	—	—
Net cash provided by financing activities	418,634	131,093	11,265
Net increase in cash, cash equivalents and restricted cash	358,837	126,180	9,421
Cash, cash equivalents and restricted cash—Beginning of period	177,931	51,751	42,330
Cash, cash equivalents and restricted cash—End of period	$ 536,768	$ 177,931	$ 51,751
Supplemental disclosures of cash flow information:			
Interest paid	$ 90	$ 48	$ 5
Income taxes paid	$ 385	$ 154	$ 120

Supplemental disclosure of non-cash investing and financing activities:						
Accrued redeemable convertible preferred stock issuance costs	$	—	$	2,250	$	—
Unpaid deferred offering costs	$	1,586	$	—	$	—
Stock-based compensation in capitalized costs	$	2,571	$	749	$	281
Increase (decrease) in purchases of property and equipment included in liabilities	$	(186)	$	131	$	76
Vesting of early-exercised stock options, net	$	—	$	7	$	421
Acquisition holdback liability	$	1,500	$	—	$	—

See accompanying notes to consolidated financial statements.

Udemy, Inc.
Notes to Consolidated Financial Statements

1. Organization and description of business

Description of business

Udemy, Inc. (“Udemy” or the “Company”) was incorporated in January 2010 under the laws of the state of Delaware. The Company is headquartered in San Francisco, California.

Udemy is a global marketplace platform for teaching and learning, connecting millions of learners to the skills they need to succeed. The Company’s platform allows learners all over the world to access affordable and relevant content from expert instructors. Udemy combines high-quality content, insights and analytics, and technology into a single, unified platform that is purpose-built to meet the specific needs of both individual learners and enterprise customers.

Initial public offering

On October 29, 2021, the Company completed its initial public offering ("IPO") of common stock, in which it sold 14,500,000 shares. The shares were sold at a price to the public of $29.00 per share for net proceeds of $397.4 million, after deducting underwriting discounts and commissions of $23.1 million. Underwriters were granted an option for a period of 30 days to purchase up to 2,175,000 additional shares of common stock. Upon the completion of the IPO, deferred offering costs of $6.8 million were reclassified into additional paid-in capital as a reduction of the net proceeds received from the IPO. Upon the closing of the IPO, all outstanding shares of the Company’s redeemable convertible preferred stock automatically converted into 85,403,933 shares of common stock on a one-for-one basis.

On November 24, 2021, the underwriters exercised the right to purchase 650,000 additional shares of common stock from the Company, resulting in additional net proceeds of $17.8 million, after deducting underwriting discounts and commissions of $1.0 million. The remaining option to purchase additional shares expired unexercised at the end of the 30 day period.

2. Summary of significant accounting policies

Basis of consolidation and presentation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation, and all other normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the periods presented have been made.

Segment information—The Company defines its segments as those operations the chief operating decision maker (“CODM”), determined to be the Chief Executive Officer of the Company, regularly reviews to allocate resources and assess performance. For the fiscal years ended December 31, 2021, 2020, and 2019, the Company operated under two operating and reportable segments: Consumer and Enterprise. The Company continually monitors and reviews its segment reporting structure in accordance with Accounting Standards Codification (“ASC”) Topic 280, Segment Reporting, to determine whether any changes have occurred that would impact its reportable segments. For further information on the Company’s segment reporting, see Note 17 “Segment and geographic information.”

Use of estimates—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the results of operations during the reporting periods.

Significant estimates and assumptions reflected in the consolidated financial statements include, but are not limited to, allowance for doubtful accounts, useful lives of property and equipment, capitalization of internally developed software and associated useful lives, stock-based compensation, determination of the income tax valuation allowance and the potential outcome of uncertain tax positions, estimated instructor withholding tax obligations, estimated period of consumption for consumer learners' single course purchases, fair value of the Company's common stock and convertible preferred stock, the period of benefit for deferred commissions, the fair value and associated useful lives of intangible assets and goodwill acquired via business combinations, and the valuation of privately-held strategic investments, including impairments. Management periodically evaluates such estimates and assumptions for continued reasonableness.

Actual results may ultimately differ from management's estimates and such differences could be material to the financial position and results of operations.

Coronavirus disease 2019 ("COVID-19")—In March 2020, the World Health Organization declared the outbreak of the coronavirus disease named COVID-19 a pandemic. The COVID-19 pandemic has created and may continue to create significant uncertainty in global financial markets. This uncertainty may positively or adversely impact certain aspects of the business, including but not limited to customer demand and spending, the ability to raise capital, impairment of assets, and cash collections. While the Company has not experienced a material negative impact to its business, results of operations, financial position, and liquidity, the future duration, impact, and disruption of the COVID-19 outbreak to the Company's operations is uncertain.

Revenue recognition—On January 1, 2019, the Company adopted ASC Topic 606, Revenue from Contracts with Customers using the modified retrospective method. The Company's two sources of revenues are its Consumer and Enterprise business channels.

Consumer revenue—The Company generates revenue by selling access to course content on the Udemy platform directly to individual learners. Consumer revenues consist of (i) single course purchases and (ii) consumer subscriptions. All contracts with consumer customers are billed in advance and require payment by the customer prior to accessing any course content, or in the case for new consumer subscription customers, upon expiration of the 7-day free trial.

After checkout, consumer customers purchasing a single course receive a lifetime access license to the digital course content in addition to stand-ready access to the Udemy platform online services needed to access the content. Consumer subscription plans offer on-demand access to a library of courses over a subscription term, as well as additional features and functionalities.

Consumer revenue transactions are governed by Udemy's standard terms of use. The time between a customer's payment and the receipt of funds is not significant. Payment terms are generally fixed and do not include variable consideration. Consumer revenues are recorded net of actual and estimated refunds and exclude any taxes that are collected from learners and remitted to governmental authorities. Consumer revenue arrangements do not include significant obligations associated with warranties.

Consumer subscriptions are typically one-month in duration and paid in advance, with new customers able to sign up for a 7-day free trial period. Subscribers have continuous access to enroll in and consume an unlimited number of curated courses included in the subscription catalog on the platform during the subscription term. Subscribers retain access to the courses in which they enroll for the duration of their subscriptions (including any renewal period), even if the instructor subsequently elects to remove the course from the Company's subscription programs. The continual access to the platform represents a series of distinct services, as the Company continually provides access to, and fulfills its obligation to, the customer over the contract term. Consumer subscriptions automatically renew at the end of each month. Customers may cancel renewal of their subscription at any point but will retain their access to the platform until the end of the current subscription term.

Enterprise revenue—The Company generates revenue by selling subscription licenses to a variety of enterprise and government customers.

The Company's subscription contracts with enterprise customers generally have annual or multi-year contractual terms and consist of a fixed quantity of seat licenses, which allows each seat to access an unlimited number of course enrollments during the contract term. Subscribers retain access to the courses in which they enroll for the duration of their subscriptions (including any renewal period), even if the instructor subsequently elects to remove the course from the Company's subscription programs. Enterprise contracts are typically evidenced by a fully executed Master Services Agreement with an accompanying executed Order Form specifying the contractual subscription term and pricing. Revenue is recognized ratably over the respective contractual subscription term beginning on the date that the platform is made available to the customer.

Standard subscription agreements have auto-renewal clauses, which allow the agreement to continue after the expiration of the initial term. The Company’s standard billing terms are to invoice upfront annually for contracts with terms of one year or longer. For contracts that are less than one year, the Company generally bills in advance on a quarterly or semi-annual basis. The Company recognizes unbilled receivables that relate to consideration for services completed but not billed as of period end. The unbilled receivables are recorded in accounts receivable, net, and are not material for any period presented.

Revenue from contracts with customers is recognized when control of promised services is transferred. The amount of revenue recognized reflects the consideration the Company expects to be entitled to receive in exchange for these services. The Company accounts for revenue contracts with customers using the five-step model under ASC Topic 606:

1) Identify the contract with a customer

Udemy determines a contract with a customer to exist when the contract is approved, each party’s rights regarding the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, the Company evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. The Company applies judgment in determining the customer’s ability and intent to pay, which is based on a variety of factors, including the customer’s historical payment experience if available. Consumer customers are generally required to pay in advance using a credit card. Generally, enterprise customers are billed upfront annually for contracts with terms of one year or longer or in advance quarterly or semi-annually for contracts with terms of less than one year.

2) Identify the performance obligations in the contract

Performance obligations committed in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from Udemy, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract. Customers do not have the ability to take possession of the software supporting the platform and, as a result, contracts are accounted for as service arrangements.

The non-exclusive lifetime access license associated with single course purchases and the licensed content associated with subscriptions are not considered distinct from the Udemy platform, because the course content is significantly integrated, and highly interdependent and interrelated with the platform. Specifically, the learner does not obtain control of the course content’s functionality without the Udemy platform. Accordingly, management concluded there is a single, combined performance obligation, which is customer’s access to the online content on the Udemy platform, representing a series of distinct services as the Company continually provides access to and fulfills its obligation to allow access to licensed content and platform functionality to the learner.

3) Determine the transaction price

The transaction price is determined based on the consideration to which Udemy expects to be entitled in exchange for transferring services to the customer. The prices for Consumer and Enterprise, or Udemy Business (“UB”), contracts are fixed at contract inception and do not contain significant estimates related to variable consideration. With respect to single course purchases, consumers may request a full refund within 30 days after the initial purchase transaction. The Company estimates and establishes a refund reserve based on historical refund rates, which has historically been immaterial. None of the Company’s contracts contain a significant financing component. Revenue excludes taxes collected from customers, which are subsequently remitted to governmental entities (e.g., sales and other indirect taxes).

4) Allocate the transaction price to performance obligations in the contract

Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on each performance obligation’s relative standalone selling price.

As access to content is not considered distinct from the Udemy platform hosting services, the transaction price is allocated to a single performance obligation.

5) Recognize revenue when or as performance obligations are satisfied

Revenue is recognized at the time the related performance obligation is satisfied by transferring the control of the promised service to a customer. Revenue is recognized in an amount that reflects the consideration that Udemy expects to receive in exchange for those services. Udemy has a stand ready obligation to deliver its services continually throughout the requisite contract period, which is either lifetime access for consumer customers or the contractual subscription term for UB and consumer subscription customers. As such, the Company recognizes revenue on a straight-line basis as it satisfies the performance obligation, using an estimated service period for individual consumers enrollments and the contractual subscription term for UB and consumer subscription customers.

Other than the circumstances noted below, no significant judgment has historically been required in determining the amount and timing of revenue from the Company’s contracts with customers.

Principal vs. agent—In order to determine if Consumer and Enterprise revenues should be reported gross or net of payments to third-party instructors, the Company evaluated whether Udemy acts as the principal in sales of its online course offerings. An entity is the principal if it controls a good or service before it is transferred to the end customer. Key indicators that management evaluated in determining gross versus net treatment included but are not limited to:

- the nature of the Company’s promise to the customer, as well as the distinct performance obligation identified;
- the underlying contract terms and conditions between the parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer;
- which party has inventory risk before the specified good or service has been transferred to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, management determined that the Company is the principal to learners who purchase access to online course content via consumer and enterprise offerings. The Company controls the promised goods or services (i.e., access to course content via the Udemy platform) before it is transferred to the customer and is primarily responsible for fulfillment with respect to delivering access to course content. The Company is the entity which licenses content to learners as the agreements with instructors grant the Company the right to sub-license content to its learners at its discretion. The Company also has substantial discretion to determine the pricing of its offerings. Therefore, the Company reports the gross purchase price paid by the customer related to these arrangements in the revenues caption of the consolidated statements of operations and the payments to instructors as content costs within cost of revenues.

Estimated service term for consumer single course purchases—The Company considers a variety of data points when determining the estimated service period for a consumer learner’s consumption of a single course purchase, including, the weighted-average number of days between a learner’s first and last day that content is accessed on the platform, the average total hours consumed, the average number of days in which learner activity stabilizes, and the weighted-average number of days between learners' enrollment and the last date the course content is accessed online. Management also considers known online trends, the service periods of historical course content available on the platform, and to the extent publicly available, service periods of competitors' online content that is similar in nature to the Company's. The Company believes consideration of all of these factors enables the Company to determine the best representation of the time period during which consumer learners access the online course content on the Company's platform and therefore the service period over which the Company provides services to learners. Determining the estimated service period is subjective and requires management's judgment. Future usage patterns may differ from historical usage patterns, and the estimated service period may change in the future. The estimated service period for consumer single course purchase transactions is four months from the date of enrollment.

The Company records contract liabilities when cash payments are received or due in advance of performance to deferred revenue. Deferred revenue primarily relates to the advance consideration allocated to remaining performance obligations received from customers.

The price of subscriptions is fixed at contract inception and the Company's contracts do not contain significant estimates related to variable consideration. As a result, the amount of revenue recognized in the periods presented from performance obligations satisfied (or partially satisfied) in prior periods was not material.

In connection with the adoption of ASC 606, the Company recorded an increase in total assets of $6.7 million and a reduction of accumulated deficit of $6.7 million as of January 1, 2019, which is attributed to deferred contract costs. The Company applied the practical expedient in Topic 606 and did not evaluate contracts of one year or less for the existence of a significant financing component.

Cost of revenues—Costs of revenues are related to content costs (which are payments to instructors), payment and mobile processing fees, costs associated with the hosting of digital content, and employee related expenses for the customer support organization, including salaries, benefits, stock-based compensation, facilities and other expenses, depreciation of network equipment, and amortization of capitalized software

Advertising costs—Advertising costs are expensed as incurred. Advertising expense is recorded in sales and marketing expenses in the consolidated statements of operations and was $105.2 million, $110.5 million and $72.6 million for the fiscal years ended December 31, 2021, 2020, and 2019, respectively.

Research and development—Research and development costs are expensed as incurred. Research and development expenses include salaries, benefits, stock-based compensation, facilities, office costs, contracted services, supplies, and other miscellaneous expenses.

Stock-based compensation—The Company accounts for its stock-based compensation pursuant to ASC Topic 718, Compensation-Stock Compensation, which requires the measurement and recognition of stock-based awards using the estimated fair value of the awards on the date of grant. Stock-based awards include stock options, restricted stock units ("RSUs"), stock appreciation rights ("SARs"), and restricted stock granted to employees, directors, and non-employees, and stock purchase rights granted to employees under the Employee Stock Purchase Plan ("ESPP Rights").

The Company estimates the fair value of RSUs and restricted stock based on the fair value on the date of grant. The Company estimates the fair value of stock options, SARs, and ESPP Rights using the Black-Scholes option-pricing model, which requires the use of the following subjective and complex assumptions:

> *Expected term*—For stock options and SARs, the Company has elected to use the midpoint of the vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. For ESPP Rights, the expected term is equal to the purchase periods in a given offering period.

Risk-free interest rate—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the award's expected term.

Expected volatility—Since the Company does not have a sufficient trading history of its common stock, the Company estimated volatility based on the average historical stock price volatility of comparable publicly-traded companies.

Dividend yield—The expected dividend was assumed to be zero as the Company has never paid dividends and has no current plans to do so.

Stock appreciation rights granted to employees are settled in cash upon exercise. The Company accounts for SARs in the other liabilities, non-current caption in the accompanying consolidated balance sheets. Vested and outstanding SARs are subject to remeasurement at each balance sheet date using the Black-Scholes option-pricing model and the assumptions described above, and any change in fair value is recognized as a component of expense. The Company adjusts the fair value of the liability for vested and outstanding SARs until the earlier of the exercise or expiration of the SARs.

For awards with only service-based vesting conditions, the Company recognizes the resulting stock-based compensation on a straight-line basis over the requisite service period of the awards. Stock-based compensation for awards that are subject to performance conditions are attributed separately for each vesting tranche of the award. The Company accounts for forfeitures in the period they occur.

Income taxes—The Company accounts for income taxes in accordance with ASC 740, Income Taxes ("ASC 740"), which requires an asset and liability approach in accounting for income taxes. Under this method, the tax provision includes taxes currently due plus the net change in deferred tax assets and liabilities. Deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refund received, as provided for under currently enacted tax law. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, is not expected to be realized.

ASC 740 prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under this guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company recognizes interest accrued related to uncertain tax positions as a component of the provision for income taxes. There was no accrued interest or penalties associated with any uncertain tax positions, nor was any interest expense recognized during the fiscal years ended December 31, 2021, 2020 and 2019. The Company does not currently anticipate that any significant increase or decrease to uncertain tax positions will be recorded during the next twelve months.

Translation of foreign currency— The Company's reporting currency is the U.S. dollar. The Company determines the functional currency for each of its foreign subsidiaries by reviewing their operations and currencies used in their primary economic environments. Assets and liabilities for foreign subsidiaries with functional currency other than U.S. dollar are translated into U.S. dollars at the rate of exchange existing at the balance sheet date. Statements of operations amounts are translated at average exchange rates for the period. Translation gains and losses are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity (deficit). Remeasurement gains and losses are included in other income (expense), net in the consolidated statements of operations. Monetary assets and liabilities are remeasured at the exchange rate on the balance sheet date and nonmonetary assets and liabilities are measured at historical exchange rates.

Net loss per share attributable to common stockholders—Prior to the completion of the Company's IPO and the conversion of all outstanding preferred shares into common stock, basic and diluted net loss per share attributable to common stockholders was computed in conformity with the two-class method required for participating securities. The Company considered all series of its redeemable convertible preferred stock to be participating securities as the holders of such stock had the right to receive nonforfeitable dividends on a pari passu basis in the event that a dividend was paid on common stock. Under the two-class method, the net loss attributable to common stockholders was not allocated to the redeemable convertible preferred stock as the preferred stockholders did not have a contractual obligation to share in the Company's losses.

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents to the extent they are dilutive. For purposes of this calculation, common stock options, RSUs, contingently issuable shares under the Company's ESPP plan, and early exercised common stock options subject to repurchase, are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive for the periods presented. For fiscal years ended December 31, 2020 and 2019, outstanding redeemable convertible preferred stock and redeemable convertible preferred stock warrants were also considered to be common stock equivalents, but were excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect was anti-dilutive for the periods presented.

Comprehensive income (loss)—Comprehensive loss consists of two components, net loss and other comprehensive loss, net of tax. Other comprehensive loss, net of tax, refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of stockholders' equity (deficit) but are excluded from net loss. The Company's other comprehensive income for the fiscal year ended December 31, 2021 consisted of foreign currency translation gains and losses. The Company recorded no other comprehensive income or loss for the fiscal year ended December 31, 2020. The Company's other comprehensive income for the fiscal year ended December 31, 2019 consisted of changes in unrealized holding gains on available-for-sale securities.

Cash and cash equivalents—As of December 31, 2021 and 2020, cash and cash equivalents include on demand deposits and money market funds with banks which have remaining maturities at the date of purchase of less than ninety days. Cash equivalents also include amounts in transit from certain payment processors for credit and debit card transactions, which typically settle within five business days. Cash and cash equivalents are carried at cost, which approximates fair value.

Restricted cash—Restricted cash primarily consists of cash restricted in connection with lease agreements for the Company's facilities. Restricted cash is included in current assets for leases that expire within one year from the balance sheet date and in non-current assets for leases that expire in more than one year from the balance sheet date.

Reconciliation of cash, cash equivalents and restricted cash	**December 31, 2021**	**December 31, 2020**
Cash and cash equivalents	$ 533,868	$ 175,031
Restricted cash, current	—	—
Restricted cash, non-current	2,900	2,900
Total cash, cash equivalents and restricted cash	$ 536,768	$ 177,931

Marketable securities—The Company's marketable securities are comprised of asset-backed securities, U.S. treasury securities, corporate debt securities and commercial paper. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its marketable securities as available-for-sale securities as the Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result of sales and maturities of the Company's previously outstanding investment portfolio during the fiscal year ended December 31, 2019, there are no marketable securities within the consolidated balance sheets as of the fiscal years ended December 31, 2021 and 2020.

Accounts receivable and allowance for doubtful accounts—Accounts receivable represent amounts owed to the Company for enterprise subscriptions. Also included in accounts receivable are amounts due from payment processors or mobile application store partners that settle over a period longer than five business days. Accounts receivable balances are recorded at the invoiced amount and are non-interest-bearing.

Accounts receivable are presented net of allowances for doubtful accounts. Management assesses the Company's ability to collect outstanding receivables and records allowances when collection becomes doubtful. The provision for bad debt is recorded in general and administrative expenses in the accompanying consolidated statements of operations. These estimates are based on the assessment of the credit worthiness of the Company's customers based on multiple sources of information and analysis of such factors as the Company's historical collection experience and industry and geographic concentrations of credit risk. Accounts receivable deemed to be uncollectible are written off, net of any amounts that may be collected.

	Balance at Beginning of Period	Charged to Expenses	Charges Utilized/Written-off	Balance at End of Period
Allowance for doubtful accounts				
Year Ended December 31, 2019	$ 422	$ 642	$ (482)	$ 582
Year Ended December 31, 2020	$ 582	$ 182	$ (121)	$ 643
Year Ended December 31, 2021	$ 643	$ 326	$ (291)	$ 678

Concentration of credit risk—Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and accounts receivable. For cash, cash equivalents, and restricted cash, the Company is exposed to credit risk in the event of default by the financial institutions to the extent the amounts recorded on the accompanying consolidated balance sheets are in excess of federal insurance limits.

The Company generally does not require collateral or other security in support of accounts receivable. To reduce credit risk, management performs ongoing evaluations of its customers' financial condition. The Company analyzes the need for reserves for potential credit losses and records allowances for doubtful accounts when necessary. The Company had no customer which accounted for more than 10% of total accounts receivable as of December 31, 2021 and as of December 31, 2020. No customer accounted for more than 10% of total revenue during the fiscal years ended December 31, 2021, 2020 and 2019.

Deferred offering costs—Deferred offering costs consist of direct and incremental legal, accounting, and other fees related to the Company's initial public offering ("IPO"). In prior periods, these costs were capitalized in the prepaid expenses and other current assets caption on the consolidated balance sheets. Upon completion of the IPO, the deferred offering costs were offset against IPO proceeds within additional paid in capital in the consolidated balance sheet.

Deferred contract costs—Sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized on a straight-line basis over a period of benefit which is determined to be four years. The Company determined the period of benefit by taking into consideration the length of terms in its customer contracts, changes and enhancements in course offerings, and other factors. In addition, a portion of the revenue share retained by enterprise reseller partners from sales to UB customers is considered an incremental and recoverable cost of obtaining a contract with a customer. This cost is deferred and amortized on a straight-line basis over the service term of the corresponding contractual subscription term.

Amounts expected to be recognized within one year of the consolidated balance sheet dates are recorded as deferred contract costs, current, while the remaining portion is recorded as deferred contract costs, non-current in the consolidated balance sheets. Deferred contract costs are periodically analyzed for impairment. Amortization expense is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Property and equipment, net—Property, equipment, and purchased software are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which are generally three years for computers, purchased software, and equipment, and five years for furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition or retirement, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as operating expenses in the consolidated statements of operations.

Capitalized software, net—The Company capitalizes costs to develop software for internal use incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Once an application has reached the development stage, qualifying internal and external costs are capitalized until the software feature is substantially complete and ready for its intended use. Capitalized qualifying costs are amortized on a straight-line basis when the software is ready for its intended use over an estimated useful life, which is generally three years. The Company evaluates the useful lives of these assets and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Goodwill and intangible assets—Intangible assets are amortized over their estimated useful lives. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. Management tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets***.***

Goodwill represents the excess purchase price over net assets acquired in the Company's business combinations. The Company evaluates and tests the recoverability of its goodwill for impairment at least annually during its fourth quarter of each fiscal year or more often if and when circumstances indicate that goodwill may not be recoverable.

Impairment of long-lived assets—The Company evaluates the carrying value of long-lived assets, such as property and equipment, whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. The Company did not identify any impairment losses on long-lived assets for fiscal years ended December 31, 2021, 2020 and 2019.

Deferred revenue—The Company records contract liabilities to deferred revenue for amounts billed to customers in advance of the performance obligations being satisfied, and primarily consists of the unearned portion of enterprise and consumer services. The Company also recognizes an immaterial amount of contract assets, or unbilled receivables, primarily relating to consideration for services completed but not billed at the reporting date. Unbilled receivables are classified as receivables when the Company has the right to invoice the customer.

Fair value of financial instruments—The Company considers fair value as the exchange price that would be received for an asset or paid to transfer a liability, an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based on their own market assumptions.

The Company utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2—Inputs are observable, unadjusted quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data; and

Level 3—Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The carrying amounts of cash, cash equivalents, restricted cash, and accounts receivable, as well as accounts payable, approximate fair value due to the relatively short-term maturities and are classified as short-term assets and liabilities, respectively, in the accompanying consolidated balance sheets.

The fair value measurements of assets that are measured at fair value on a recurring basis are as follows (in thousands):

	Fair Value Hierarchy		
	Level 1	**Level 2**	**Level 3**
Year Ended December 31, 2020			
Strategic investments	$ —	$ —	$ —
Total as of December 31, 2020	$ —	$ —	$ —
Year Ended December 31, 2021			
Strategic investments	$ —	$ —	$ 10,000
Total as of December 31, 2021	$ —	$ —	$ 10,000

The fair value measurements liabilities that are measured at fair value on a recurring basis are as follows (in thousands):

	Fair Value Hierarchy		
	Level 1	**Level 2**	**Level 3**
Year Ended December 31, 2020			
Cash settled stock appreciation rights	$ —	$ —	$ 268
Redeemable convertible preferred stock warrants	—	—	160
Total as of December 31, 2020	$ —	$ —	$ 428
Year Ended December 31, 2021			
Cash settled stock appreciation rights	$ —	$ —	$ 818
Total as of December 31, 2021	$ —	$ —	$ 818

Warrants issued for the Company's redeemable convertible preferred stock were subject to remeasurement at each balance sheet date and any change in fair value was recognized as a component of other income (expense), net. The Company adjusted the liability for changes in fair value until the earlier of the exercise or expiration of the warrants or the completion of a liquidation event, including the closing of a qualifying initial public offering, at which time all redeemable convertible preferred stock warrants would be converted into warrants to purchase common stock and, accordingly, the liability would be reclassified to stockholders' equity (deficit). As of December 31, 2021, the Company no longer had outstanding redeemable convertible preferred stock warrants.

The Company measured the redeemable convertible preferred stock warrants using Level 3 unobservable inputs within the Black-Scholes option-pricing model. The Company used various key assumptions, such as the fair value of redeemable convertible preferred stock, volatility, the risk-free interest rate, and expected term (remaining contractual term of the warrants). The Company monitored the fair value of the redeemable convertible preferred stock warrants annually, with subsequent gains and losses from remeasurement of Level 3 financial liabilities recorded through other income (expense), net in the consolidated statements of operations. Generally, increases (decreases) in the fair value of the underlying stock and estimated term would result in a directionally similar impact to the fair value measurement.

See Note 2 “Summary of Significant Accounting Policies—Stock-Based Compensation” for the valuation methodology and inputs used to measure the fair value of the stock appreciation rights.

See Note 2 “Summary of Significant Accounting Policies—Strategic Investments” for the valuation methodology and inputs used to measure the fair value of the strategic investments.

In January 2010, the Company issued warrants to purchase up to 1,562,689 shares of the Company’s Series A-1 redeemable convertible preferred stock at an exercise price of $0.196 per share. The initial term of the warrant was five years from the issuance of Series A-1, which occurred in September 2011, and had an automatic extension for an additional five years if the Company was not public by the original expiration date. Prior to the years ended December 31, 2020 and 2019, 1,550,094 of the warrants had been exercised. As of December 31, 2020 and 2019, 12,595 warrants remained outstanding and were carried at fair value in accrued expenses and other current liabilities and other liabilities, respectively, on the consolidated balance sheets.

The remaining outstanding 12,595 warrants were exercised on January 20, 2021 for an immaterial amount of cash proceeds, at which time the Company reclassified the $0.2 million fair value of the warrants into Series A-1 redeemable convertible preferred stock on the consolidated balance sheet. The change in fair value of the warrants between December 31, 2020 and the exercise date was immaterial.

A summary of the changes in the fair value of Level 3 financial instruments, of which changes in warrant fair value and vesting and remeasurement of stock appreciation rights are recognized in the consolidated statements of operations, is as follows (in thousands):

	Warrants	SARs	Strategic Investments	Total
Balance—January 1, 2019	$ 50	$ —	$ —	$ 50
Change in fair value of redeemable convertible preferred stock warrants	58	—	—	58
Vesting and remeasurement of stock appreciation rights	—	36	—	36
Balance—December 31, 2019	108	36	—	144
Change in fair value of redeemable convertible preferred stock warrants	52	—	—	52
Vesting and remeasurement of stock appreciation rights	—	232	—	232
Balance—December 31, 2020	160	268	—	428
Exercise of redeemable convertible preferred stock warrants	(160)	—		(160)
Vesting and remeasurement of stock appreciation rights	—	550	—	550
Purchases of strategic investments	—	—	10,000	10,000
Balance—December 31, 2021	$ —	$ 818	$ 10,000	$ 10,818

Strategic investments— The Company holds an investment in equity securities of a privately held company without a readily determinable fair value and in which the Company does not have a controlling interest. Investments in equity securities without readily determinable fair values are initially recorded at cost and are subsequently adjusted to fair value for impairments and price changes from observable transactions in the same or a similar security from the same issuer. This practice is referred to as the measurement alternative.

Privately held equity securities are valued using significant unobservable inputs or data in inactive markets. This valuation requires judgment due to the absence of market prices and inherent lack of liquidity and are classified as Level 3 in the fair value hierarchy. In determining the estimated fair value of investments in privately held companies, the Company utilizes the most recent data available including observed transactions such as equity financing transactions of the investees and sales of the existing shares of the investees' securities. In addition, the determination of whether an observed transaction is similar to the equity securities held by the Company requires significant management judgment based on the rights and preferences of the securities.

The Company assesses its investment portfolio of privately held equity securities quarterly for impairment. The impairment analysis for investments in equity securities includes a qualitative analysis of factors including the investee's financial performance, industry and market conditions, and other relevant factors. If an equity investment is considered to be impaired the Company will establish a new carrying value for the investment and recognize an impairment loss through the consolidated statement of operations.

Redeemable convertible preferred stock—The redeemable convertible preferred stock issued by the Company provides the preferred stockholders certain rights regarding events that are outside the control of the Company. This includes the right to redeem the preferred stock upon a specified passage of time or upon the occurrence of certain deemed liquidation events where the holders of the preferred stock are entitled to receive cash or other assets. As such, the redeemable convertible preferred stock is classified as mezzanine (or temporary) equity as it contains terms that could force the Company to redeem the shares for cash or other assets upon the occurrence of an event not solely within the Company's control. The Company's series of redeemable convertible preferred stock represent equity instruments in legal form, are not mandatorily redeemable financial instruments, and do not constitute unconditional obligations that may require issuance of a variable number of the Company's shares. Furthermore, since the series of redeemable convertible preferred stock are neither currently redeemable nor probable of becoming redeemable, no subsequent remeasurement of the amounts presented outside of stockholders' equity (deficit) is required.

Business combinations—In accordance with applicable accounting standards, the Company estimates the fair value of acquired assets and assumed liabilities as of the acquisition date of business combinations. The purchase consideration is allocated to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The purchase price is determined based on the fair value of the assets transferred, liabilities assumed, and equity interests issued, after considering any transactions that are separate from the business combination. The excess of fair value of purchase consideration over the fair values of the identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and deferred revenue. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customer relationships and developed technology, costs to recreate acquired vendor relationships, royalty rates, and discount rates.

The estimates are inherently uncertain and subject to revision as additional information is obtained during the measurement period for an acquisition, which may last up to one year from the acquisition date. During the measurement period, management may record adjustments to the fair value of tangible and intangible assets acquired and liabilities assumed, with a corresponding offset to goodwill. After the conclusion of the measurement period or the final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to earnings.

Recently adopted accounting pronouncements—In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), amending revenue recognition guidance and requiring more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted ASC 606 on January 1, 2019, by applying the modified retrospective approach to all contracts that were not completed as of January 1, 2019. The Company applied the practical expedient in Topic 606 and did not evaluate contracts of one year or less for the existence of a significant financing component. The Company recorded an increase in total assets of $6.7 million and a reduction of accumulated deficit of $6.7 million as of January 1, 2019, which is attributed to the deferral of sales commission costs.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. The standard requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted the ASU on January 1, 2019. As a result of adopting the ASU, the Company includes restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on the statements of consolidated cash flows.

In July 2018, the FASB issued ASU No. 2018-09, *Codification Improvements*, which clarifies, corrects errors in and makes improvements to several topics in the FASB ASC. The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments do not require transition guidance and were effective upon issuance of the ASU. This ASU is effective for the Company for its fiscal year ended December 31, 2020. The Company adopted the ASU on January 1, 2020. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation* (*Topic 718): Improvements to Non-employee Share-Based Payment Accounting*. The updated guidance simplifies the accounting for non-employee share-based payment transactions. The amendments in the new guidance specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. This ASU is effective for the Company for its fiscal year ended December 31, 2021, with early adoption permitted. The Company early-adopted the ASU on January 1, 2020. The Company was required to remeasure any liability-classified non-employee awards that have not been settled as of the adoption date through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The adoption of this ASU did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (Topic 820). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The ASU was effective for the Company beginning in its fiscal year ending December 31, 2020. The Company adopted the ASU on January 1, 2020. The adoption of this ASU did not have a material impact on the consolidated financial statements.

The Company is an emerging growth company ("EGC"), as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, EGCs can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an EGC or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company adopted the standard with an effective date of January 1, 2021 using the prospective transition adoption approach. Capitalized implementation costs are recorded in prepaid expenses and other current assets and other assets in the consolidated balance sheet. The adoption of this ASU did not have a material impact on the consolidated financial statements.

New accounting pronouncements not yet adopted—In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This standard introduces the new leases standard that applies a right-of-use ("ROU") model and requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In June 2020, the FASB issued ASU No. 2020-05 in 2020, Effective Dates for Certain Entities, which deferred the effective date for nonpublic entities, including EGCs, that had not yet adopted the original ASU. Under the amended guidance, the leasing standard will be effective for the Company's fiscal year beginning after December 15, 2021, and early adoption is still permitted.

The Company expects to use the modified retrospective approach upon adoption. The Company also plans to elect the package of practical expedients, the use of hindsight in determining the lease term, and the practical expedient to not recognize a ROU asset or lease liability for leases with a term of 12 months or less. The Company expects the impact of adopting this standard will result in the recognition of between $16.5 million to $19.0 million in operating ROU assets and between $19.0 million to $21.0 million in operating lease liabilities in its condensed consolidated balance sheets. The difference between the amounts of operating ROU assets and operating lease liabilities consists of deferred rent and prepaid rent to be derecognized upon transition. The transition is not expected to have a cumulative impact to retained earnings on the adoption date, and the Company expects the impact of adoption to the consolidated statements of operations to be immaterial.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The FASB issued ASU 2019-10 in November 2019, which deferred the effective date for nonpublic entities, including EGCs, that had not yet adopted the original ASU. Under the amended guidance, the standard will be effective for the Company's fiscal year beginning after December 15, 2022, and early adoption is still permitted. The Company is currently assessing the potential impact of the new standard on the Company's consolidated financial statements.

In December, 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for income Taxes*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles of income taxes and reducing the cost and complexity in accounting for income taxes. The ASU is effective for the Company's fiscal year beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently assessing the potential impact of the new standard on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which aims to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in
practice and inconsistency related to (1) recognition of an acquired contract liability and (2) payment terms and their effect on subsequent revenue recognized by the acquirer. The ASU is effective for the Company's fiscal year beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in an interim period.

3. Revenue recognition

Deferred revenue—Revenue recognized during the fiscal year ended December 31, 2021 from amounts included in deferred revenue as of December 31, 2020 was $139.5 million. Revenue recognized during the fiscal year ended December 31, 2020 from amounts included in deferred revenue as of December 31, 2019 was $83.4 million. Revenue recognized during the fiscal year ended December 31, 2019 from amounts included in deferred revenue as of December 31, 2018 was $62.4 million.

The below table presents a summary of deferred revenue balances by reportable segment (in thousands):

	December 31, 2021	December 31, 2020
Deferred revenue:		
Enterprise	$ 148,966	$ 84,241
Consumer	61,588	58,135
Total deferred revenue	$ 210,554	$ 142,376

Remaining performance obligations—Remaining performance obligations represent the aggregate amount of the transaction price in contracts for performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations relate to unearned revenue from consumer single course purchase arrangements and unearned and unbilled revenue from multi-year enterprise subscription contracts with future installment payments at the end of any given period. As of December 31, 2021, the aggregate transaction price for remaining performance obligations was $329.1 million, of which 73% is expected to be recognized during over the next twelve months and the remainder thereafter.

Deferred contract costs—The following table represents a rollforward of the Company's deferred contract costs (in thousands):

	Balance at Beginning of Period	Additions	Amortization Expense	Balance at End of Period
Year ended December 31, 2021	25,837	36,509	(17,801)	44,545
Year ended December 31, 2020	14,380	18,943	(7,486)	25,837
Year ended December 31, 2019	6,733	10,685	(3,038)	14,380

4. Consolidated balance sheet components

Prepaid expenses and other current assets consist of the following (in thousands):

	December 31, 2021	December 31, 2020
Prepaid expenses	$ 12,465	$ 4,904
Capitalized cloud computing costs, short term	808	—
Short term deposits	745	—
Other current assets	1,909	1,132
Prepaid expenses and other current assets	$ 15,927	$ 6,036

Property and equipment, net consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Computers and equipment	$ 6,798	$ 6,171
Furniture and fixtures	4,701	4,181
Purchased software	383	280
Leasehold improvements	18,932	15,164
Construction in progress	18	16
Total property and equipment	30,832	25,812
Less accumulated depreciation and amortization	(20,945)	(16,706)
Property and equipment, net	$ 9,887	$ 9,106

Depreciation and amortization expense was $4.5 million, $4.2 million, and $3.8 million for the fiscal years ended December 31, 2021, 2020 and 2019, respectively.

Capitalized software consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Capitalized software	$ 43,804	$ 28,472
Less accumulated amortization	(23,750)	(14,459)
Capitalized software, net	$ 20,054	$ 14,013

Amortization expense of capitalized software was $9.3 million, $6.9 million and $4.9 million for the fiscal years ended December 31, 2021, 2020 and 2019, respectively.

As of December 31, 2021, expected amortization expense for capitalized software over the remaining asset lives is as follows (in thousands):

2022	$ 9,723
2023	7,328
2024	3,003
Total expected amortization	$ 20,054

5. Strategic investments

In October 2021, the Company made a strategic investment of $10.0 million in cash for preferred shares of privately held online education platform technology company. The estimation of fair value for this investment requires the use of significant unobservable inputs, and as a result, the Company classifies this investment as Level 3 within the fair value hierarchy.

The carrying value of this investment is adjusted based on price changes from observable transactions of identical or similar securities of the same issuer (referred to as the measurement alternative) or for impairment. Any changes in carrying value are recorded within other income (expense), net in the consolidated statements of operations. As of December 31, 2021, there have been no observable transactions that would cause the Company to adjust the carrying amount investment, resulting in no realized or unrealized gains or losses for the fiscal year ended December 31, 2021.

The Company evaluates this investment for impairment at each reporting period based on a qualitative assessment that considers various potential impairment indicators. This evaluation consists of several factors including, but not limited to, an assessment of a significant adverse change in the economic environment, significant adverse changes in the general market condition of the geographies and industries in which the investee operates, and other publicly available information that affects the value of the investment. No adverse factors were noted in the Company’s assessment performed as of December 31, 2021, resulting in no impairment losses during the fiscal year ended December 31, 2021.

The company did not own any strategic investments as of December 31, 2020.

6. Business combinations

On August 24, 2021, the Company completed its acquisition of CorpU, an online learning platform and content catalog focused on blended executive training. The acquisition is intended to deepen the Company’s UB offerings through CorpU’s cohort-based learning in scalable, virtual environments. The transaction has been accounted for as a business combination.

The purchase price was $28.6 million, of which $27.1 million was paid at closing with the remaining balance recorded in the accrued expenses and other current liabilities caption of the accompanying consolidated balance sheets. The remaining balance is expected to be paid in August 2022 after adjustment for any indemnification losses incurred by the Company for which it is entitled to recover.

The Company issued 61,300 shares of restricted common stock to a former executive of CorpU, which is not included in the calculation of the acquisition purchase price, and is accounted for as post-acquisition stock-based compensation over a three year term.

The total purchase consideration of the CorpU acquisition was allocated to the tangible and intangible assets acquired, and liabilities assumed, based upon their respective fair values as of the date of the acquisition. Management determined the preliminary fair values based on a number of factors, including a valuation from an independent third-party valuation firm. The excess of the purchase price over the net assets acquired was recorded as goodwill. Goodwill is attributable to the assembled workforce and anticipated synergies arising from the acquisition, and has been allocated to the Enterprise reporting segment for the purposes of annual impairment testing. The goodwill recorded in the acquisition is not expected to be deductible for income tax purposes.

The assets acquired and liabilities assumed were recorded at fair value as follows (in thousands):

Cash and cash equivalents	$ 2,641
Accounts receivable, net	250
Prepaid expenses and other current assets	67
Property and equipment, net	133
Intangible assets	15,100
Goodwill	12,646
Accounts payable and other liabilities	(596)
Deferred revenue	(1,610)
Total acquisition consideration	$ 28,631

The Company has included the financial results of CorpU in the consolidated financial statements from the date of acquisition, which for the fiscal year ended December 31, 2021 was not material. The business combination does not qualify as an acquisition of a significant business, and therefore pro forma financial statements were not required. Acquisition costs of $0.3 million are included in general and administrative expenses in the consolidated financial statements for fiscal year ended December 31, 2021.

7. Intangible assets, net and goodwill

As of December 31, 2021, intangible assets, net acquired as part of the CorpU business combination were as follows (in thousands):

	Estimated Useful Lives	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Customer relationships	6 years	$ 5,500	$ (323)	$ 5,177
Vendor relationships	3 years	4,500	(529)	3,971
Developed technology	3 years	4,200	(493)	3,707
Tradename	2 years	900	(158)	742
Total		$ 15,100	$ (1,503)	$ 13,597

The Company did not have any intangible assets as of December 31, 2020. Amortization expense of intangible assets for the twelve months ended months ended December 31, 2021 was $1.5 million.

The expected future amortization expense for intangible assets as of December 31, 2021 was as follows (in thousands):

2022	$ 4,267
2023	4,108
2024	2,795
2025	917
2026	917
Thereafter	593
Total expected amortization	$ 13,597

Goodwill in the amount of $12.6 million was established as part of the CorpU acquisition on August 24, 2021. This amount represents the excess of the purchase price over the fair value of net assets acquired. There have been no adjustments to the carrying amount of goodwill as of December 31, 2021.

8. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	December 31, 2021	December 31, 2020
Accrued expenses	$ 7,326	$ 6,796
Indirect tax reserves	18,392	26,645
Indirect tax payables	10,786	11,365
Deferred rent, current	803	597
Other current liabilities	2,833	1,375
Total accrued expenses and other current liabilities	$ 40,140	$ 46,778

Indirect tax payables relate to amounts collected from customers on behalf of third-party taxing authorities, primarily sales and use taxes owed on the Company’s sales in various U.S. state jurisdictions, and indirect taxes owed on sales outside of the U.S. Indirect tax payables also include withholding taxes on payments made to the Company’s instructors before remitting these amounts to the taxing authorities.

Indirect tax reserves primarily relate to sales and other indirect tax reserves and instructor withholding tax reserves.

Sales and other indirect tax reserves—The Company determined that it was required to pay indirect tax in various domestic and international jurisdictions for the periods prior to January 1, 2020. As of December 31, 2020, the outstanding liability totaled $3.4 million for estimated amounts not collected from customers. The Company completed its process of filing voluntary disclosure agreements and remitting the estimated indirect tax during the fiscal year ended December 31, 2021, and has no remaining outstanding liability as of December 31, 2021.

Instructor withholding tax reserves—The Company conducts operations in many tax jurisdictions throughout the United States and the rest of the world. The Company has an obligation to comply with information reporting and tax withholding requirements with regards to certain payments made to its U.S. and non-U.S. instructors. Under United States federal tax rules, in the case where the Company withholds less than the correct amount of tax or fails to report it, it is liable for the correct amount that it was required to withhold, plus interest and potential penalties. The Company may be entitled to relief on certain payments if the Company can obtain documentation (e.g. taxpayer identification forms) from instructors establishing that the instructor payee qualifies for reduced withholding tax rates, or that the instructor payee reported the payments and paid the corresponding taxes owed.

Prior to March 2020, the Company had not obtained appropriate taxpayer identification forms from instructors, nor remitted applicable tax withholding amounts to the U.S. Internal Revenue Service (“IRS”) where required. In accordance with GAAP, the Company recorded a provision for its tax exposure when it was both probable that a liability had been incurred and the amount of the exposure could be reasonably estimated. Given the significant quantity of instructor payments the Company makes in its operations, the Company has applied a statistical sampling approach that is analogous to methods commonly used by the IRS when determining the extent of withholding tax obligations during IRS audits for the historical instructor payments.

The instructor withholding provision estimate includes several key assumptions including, but not limited to, the tax characterization of the Company’s payments made to instructors, the historical lookback practices and scoping precedents of the IRS, the methods for sourcing of instructor payments to U.S. and non-U.S. jurisdictions, and management’s estimate of the penalty relief on certain instructor payments it will be entitled to.

Beginning in March 2020, the Company began collecting appropriate taxpayer identification forms from its instructors, assessing whether the forms justified a reduced rate of withholding or withholding exemption, and remitting withholding tax payments to the IRS where required. The Company also began reporting payments to its non-U.S. instructors and the IRS annually where required to do so.

As of December 31, 2021, the Company determined that it was probable that it would owe an estimated $17.0 million for withholding taxes related to historical payments to its instructors. The Company has recorded this amount in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

Changes in the estimated amount the Company has determined it will owe are recorded in general and administrative expenses in the accompanying consolidated statements of operations. Estimated interest is recorded in interest income (expense), net in the accompanying consolidated statement of operations.

Changes to the instructor withholding tax reserve are as follows (in thousands):

	Fiscal Year Ended December 31,		
	2021	2020	2019
Balance, beginning of period	$ 22,166	$ 20,926	$ 12,540
Amounts charged to expense	(5,130)	2,826	8,386
Net payments and settlements	—	(1,586)	—
Balance, end of period	$ 17,036	$ 22,166	$ 20,926

The change in the instructor withholding tax reserve during the fiscal year ended December 31, 2021 is based on a revision of certain key assumptions, including the expected relief on certain instructor payments the Company will be entitled to.

In 2020, the Company began approaching the IRS to address the historical withholding amounts for instructors. Final settlement of the matter could differ materially from the estimate recorded in the accompanying consolidated balance sheets, and there exists a reasonable possibility that the Company could incur losses that are significantly more or significantly less than the Company has accrued as of December 31, 2021. The Company estimated a potential range of loss between $13.4 million and $17.3 million as of December 31, 2021.

9. Commitments and contingencies

Operating leases—The Company entered into various non-cancelable operating lease agreements primarily related to its office facilities that expire over the next five years. Certain operating leases contain provisions under which monthly rent escalates over time. When lease agreements contain escalating rent clauses or free rent periods, the Company recognizes rent expense on a straight-line basis over the term of the lease. Future minimum lease payments under non-cancelable operating leases as of December 31, 2021, are as follows (in thousands):

2022	$ 7,826
2023	7,212
2024	5,921
2025	809
2026	410
Total lease commitments	$ 22,178

The Company incurred rent expense of $5.8 million, $5.5 million and $5.5 million for the fiscal years ended December 31, 2021, 2020 and 2019 respectively.

Noncancelable purchase commitments—The Company has contractual commitments with its cloud infrastructure provider, network service providers, and paid advertising vendors that are noncancelable. Future noncancelable commitments under these arrangements as of December 31, 2021 are as follows (in thousands):

2022	$	15,340
2023		1,014
2024		102
2025		—
2026		—
Total purchase commitments	$	16,456

Indemnification—The Company enters into indemnification provisions under agreements with other parties in the ordinary course of business, including certain business partners, investors, contractors, and the Company's officers, directors, and certain employees. The Company has agreed to indemnify and defend the indemnified party's claims and related losses suffered or incurred by the indemnified party resulting from actual or threatened third-party claims because of the Company's activities or, in some cases, non-compliance with certain representations and warranties made by the Company. In general, the Company does not record any liability for these indemnities in the accompanying consolidated balance sheets as the amounts cannot be reasonably estimated and are not considered probable. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. To date, losses recorded in the Company's consolidated statements of operations in connection with the indemnification provisions have not been material.

Litigation—From time to time, in the ordinary course of business, the Company is subject to legal proceedings, claims, investigations, and other proceedings, including claims of alleged infringement of third-party patents and other intellectual property rights, and commercial, employment, and other matters. In accordance with generally accepted accounting principles, the Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least annually and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. The outcome of such litigation is not expected to have a material effect on the financial position, results of operation and cash flows of the Company. The Company has recorded an immaterial amount related to all outstanding litigation matters as of the year ended December 31, 2021.

10. Income taxes

The domestic and foreign components of income (loss) before provision for income taxes consisted of the following (in thousands):

	Fiscal Year Ended December 31,		
	2021	2020	2019
Domestic	$ (80,243)	$ (77,212)	$ (69,161)
Foreign	1,400	2,741	833
Total net loss before taxes	$ (78,843)	$ (74,471)	$ (68,328)

The provision for income taxes consisted of the following (in thousands):

	Fiscal Year Ended December 31,		
	2021	2020	2019
Current:			
Federal	$ —	$ —	$ —
State	183	63	83
Foreign	1,149	2,937	1,292
Total current income tax expense	1,332	3,000	1,375
Deferred:			
Federal	—	—	—
State	—	—	—
Foreign	(149)	149	—
Total deferred income tax expense	(149)	149	—
Total provision for income taxes	$ 1,183	$ 3,149	$ 1,375

The Company had an effective tax rate of (1.50)%, (4.23)%, and (2.00)% for the periods ended December 31, 2021, 2020, and 2019 respectively. The difference between the 21% statutory federal tax rate and the effective tax rate was primarily a result of federal and state research and development (“R&D”) tax credits, foreign withholding tax, tax adjustments related to stock-based compensation, change in valuation allowance, and nondeductible compensation.

The reconciliation between the statutory federal income tax rate and the Company's effective tax rate as a percentage of loss before income taxes is as follows:

	Fiscal Year Ended December 31,		
	2021	2020	2019
Federal tax expense	21.00 %	21.00 %	21.00 %
State taxes, net of federal benefit	1.07 %	1.17 %	0.09 %
Foreign rate differential	(0.12)%	(0.32)%	0.07 %
Withholding taxes	(0.78)%	(3.06)%	(1.70)%
Nondeductible compensation	(5.29)%	— %	— %
Stock-based compensation	0.27 %	(1.94)%	(2.77)%
Change in valuation allowance	(34.54)%	(21.16)%	(18.76)%
Research and development credits	16.87 %	— %	— %
Other	0.02 %	0.08 %	0.07 %
Effective tax rate	(1.50)%	(4.23)%	(2.00)%

Significant components of the net deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020, consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Deferred tax assets:		
Accruals and reserves	$ 4,795	$ 2,540
Deferred revenue	45,268	29,807
Net operating loss	42,008	37,053
Research and development tax credits	13,301	—
Stock-based compensation	2,952	1,487
Indirect tax reserves	4,107	5,682
Property and equipment, net	1,799	1,665
Other	351	299
Gross deferred tax assets	114,581	78,533
Valuation allowance	(97,010)	(69,766)
Total deferred tax assets	17,571	8,757
Deferred tax liabilities:		
Deferred contract costs	(10,009)	(5,774)
Other deferred tax liabilities	(7,562)	(3,132)
Total deferred tax liabilities	(17,571)	(8,906)
Net deferred tax liabilities	$ —	$ (149)

A valuation allowance is provided for deferred tax assets where the recoverability of the assets is uncertain. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient future taxable income will be generated to utilize the deferred tax assets.

As of December 31, 2021 and 2020, the Company has established a valuation allowance of $97.0 million and $69.8 million, respectively, against its gross deferred tax assets due to the uncertainty surrounding the realization of such assets. The change in total valuation allowance from 2020 to 2021 was an increase of $27.2 million.

As of December 31, 2021, the Company had $189.2 million of federal net operating loss ("NOL") carryforwards. $101.9 million of federal NOL carryforwards generated in taxable years beginning prior to January 1, 2018 begin expiring in 2030, if not utilized. $87.3 million of federal NOL carryforwards generated in taxable years beginning after December 31, 2017 have an indefinite carryforward period, but are subject to the 80% deduction limitation based upon pre-NOL deduction taxable income.

As of December 31, 2021, the Company had $34.0 million of state NOL carryforwards. The state NOL carryforwards begin expiring in 2023, if not utilized.

As of December 31, 2021, the Company had U.S. federal and state R&D tax credit carryforwards of $9.7 million and $8.6 million, respectively. The federal R&D tax credit carryforwards will expire in various amounts beginning in 2035 while the state R&D tax credit carryforwards can be carried forward indefinitely.

The utilization of the Company's net operating losses may be subject to a limitation due to the "ownership change" provisions under Section 382 of the Internal Revenue Code and similar state and foreign provisions. Such limitation may result in the expiration of the net operating loss carryforwards generated before 2018 prior to their utilization. The Company has performed a Section 382 study to determine any potential Section 382 limitations on the utilization of its net operating loss carryforwards and tax credit carryforwards and has determined that the Company experienced two ownership changes with the Company's Series A and A-1 preferred stock offering in September 2011 and with the Company's Series B preferred stock offering in November 2012. The Company has estimated that the gross U.S. federal NOL carryforwards from 2010 to 2012 that would be subject to limitation are approximately $3.6 million. On October 29, 2021, the Company completed its initial public offering. As of the period ending December 31, 2021, the Company has not performed a subsequent Section 382 study; the Company is evaluating rolling forward the previous Section 382 study in 2022.

The Company has performed a Section 382 study to determine any potential Section 382 limitations on the utilization of the acquired federal NOLs from the business combination of CorpU and has determined that CorpU experienced an ownership change in May 2013 and therefore, the federal gross NOL carry forwards of $3.3 million would be subject to limitation.

The $3.6 million of existing NOL carryforwards and the $3.3 million of acquired NOL carryforwards subject to the Section 382 limitation will expire unutilized, therefore the deferred tax asset associated with such NOLs have been written off.

Uncertain tax positions—As of December 31, 2021 and 2020, the Company had gross unrecognized tax benefits of $3.6 million and $10.6 million, respectively, related to federal and state R&D tax credits. The Company has performed a R&D tax credit study and has reserved against a portion of its federal and state R&D tax credit carryforwards. The Company's tax position of such credits is not more likely than not to be sustained upon examination. The Company has recorded an uncertain tax position related to the deferred tax asset recognized for these credits.

A reconciliation of the beginning and ending balance of unrecognized tax benefit is as follows (in thousands):

	December 31, 2021	December 31, 2020	December 31, 2019
Gross unrecognized tax benefits at the beginning of the year	$ 10,580	$ 146	$ 146
Increases (decreases) related to prior year tax positions	(7,892)	7,006	—
Increases related to current year tax positions	920	3,428	—
Statute of limitations expirations	—	—	—
Gross unrecognized tax benefits at the end of the year	$ 3,608	$ 10,580	$ 146

The Company is currently unaware of uncertain tax positions that could result in significant additional payments, accruals, or other material deviations in the next 12 months. The Company currently does not record interest and penalties, if any, related to unrecognized tax benefits. None of the unrecognized tax benefits as of December 31, 2021, if recognized in a future period, would affect the Company's effective tax rate.

The Company files income tax returns in U.S. federal, and certain state and foreign jurisdictions with varying statutes of limitations. Due to NOL carryforwards and tax credit carryforwards, the statutes of limitations remain open for tax years from inception of the Company through 2021. There are currently no income tax audits underway by U.S. federal, state, or foreign tax authorities.

The Company intends to indefinitely reinvest any future undistributed foreign earnings outside the United States and therefore such earnings will not be subject to U.S. federal or state, or foreign withholding tax. The Company has prepared an analysis of the repatriation of earnings outside of the U.S. and has determined that the potential tax in connection with such repatriation is approximately $0.2 million.

Intended to provide economic relief to those impacted by the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 and includes provisions, among others, addressing the carryback of net operating losses for specific periods, refunds of alternative minimum tax credits, temporary modifications to the limitations placed on the tax deductibility of net interest expenses, and technical amendments for qualified improvement property. Additionally, the CARES Act, in efforts to enhance business' liquidity, provides for refundable employee retention tax credits and the deferral of the employer-paid portion of social security taxes. Under the CARES Act, the Company deferred $2.6 million related to the employer portion of social security taxes during the year ended December 31, 2020, of which $1.5 million was settled by the Company in 2021.

11. Employee retirement plan

The Company maintains a 401(k) retirement savings plan covering eligible employees. Employee contributions to the plan consist of a percentage based on eligible employee compensation. The Company matches 25% of an employee's contribution up to 6% of the employee's compensation, with a cap of $500 annually, subject to a two-year graded vesting schedule that vests 50% after an employee's first year of employment and 100% after two years of employment. The Company contributed $0.4 million, $0.2 million and $0.2 million for fiscal years ended December 31, 2021, 2020, and 2019, respectively.

12. Related party transactions

Naspers Ltd. ("Naspers") is affiliated with OLX Group B.V., where a member of the Company's Board of Directors serves as an executive officer, and Prosus N.V., where another member of the Company's Board of Directors serves as an executive officer. Naspers, and another entity affiliated with Naspers, are also customers of the Company's enterprise subscription offering. The Company recorded $1.5 million, $1.3 million and $0.8 million of revenue from services provided during the fiscal years ended December 31, 2021, 2020, and 2019, respectively. As of December 31, 2021, the Company had an outstanding accounts receivable balance with these customers of $0.1 million. As of December 31, 2020, the accounts receivable balance was $0.3 million.

Insight Partners, where a member of the Company's Board of directors is a Managing Director, is affiliated with certain vendors that the Company has contracted to provide technology and software solutions. During the fiscal years ended December 31, 2021, 2020, and 2019 the Company recorded approximately $0.9 million, $0.3 million, and zero dollars, respectively, in general and administrative expenses with these vendors. As of December 31, 2021 and 2020, the Company had an accounts payable balance with these vendors of $0.1 million, and zero, respectively.

13. Redeemable convertible preferred stock

Redeemable convertible preferred stock is recorded at the issuance price, net of issuance costs.

During the fiscal year ended December 31, 2021, the Company issued 12,595 shares of Series A-1 redeemable convertible preferred stock upon the exercise of the remaining Series A-1 redeemable preferred stock warrants.

During the fiscal year ended December 31, 2020, the Company issued 2,569,043 shares of Series E redeemable convertible preferred stock and 3,349,812 shares of Series F redeemable convertible preferred stock.

Upon the closing of the Company's IPO on October 29, 2021, all outstanding shares of its redeemable convertible preferred stock automatically converted into 85,403,933 shares of Common Stock on a one-for-one basis (Note 1). As of December 31, 2021, there were no shares of redeemable convertible preferred stock issued and outstanding.

As of December 31, 2020 the Company's redeemable convertible preferred stock consisted of the following (amounts in thousands, except share and per share amounts):

	Shares Authorized	Shares Issued and Outstanding	Issuance Price Per Share	Carrying Value	Liquidation Amount
Series A	8,483,166	8,483,166	$ 0.24	$ 2,010	$ 2,050
Series A-1	15,295,184	15,132,282	0.20	5,765	2,966
Series B	22,956,103	22,956,103	0.54	12,230	12,310
Series C	16,198,348	16,198,348	1.98	31,901	32,000
Series D	16,702,584	16,702,584	6.22	103,739	103,852
Series E	2,569,043	2,569,043	15.57	39,948	40,000
Series F	4,144,218	3,349,812	24.13	78,511	80,831
	86,348,646	85,391,338		$ 274,104	$ 274,009

Significant rights, preferences, and privileges of the above redeemable convertible preferred stock prior to its conversion into common shares were as follows:

Voting—Each share of redeemable convertible preferred stock had voting rights equal to an equivalent number of shares of common stock into which it was convertible and would vote together as one class with the common stock, except as below:

The holders of a majority of the Series A, A-1, C and D redeemable convertible preferred stock were entitled to elect, each series voting as a separate class, one member to the Company's board of directors (the "Board of Directors"). The holders of a majority of Series B redeemable convertible preferred stock were entitled to elect two members to the Board of Directors. The holders of a majority of the common stock were entitled to elect, voting separately as a class, two members to the Board of Directors.

The holders of Series A, A-1, B, C, D, E, and F redeemable convertible preferred stock (collectively "Series Preferred") and common stock, voting together as a single class on an as-converted basis, were entitled to elect all remaining directors.

Conversion rights—Each share of redeemable convertible preferred stock was convertible at the option of the holder, at any time after the date of issuance of such share, into shares of common stock as is determined by dividing the original purchase price of redeemable convertible preferred stock by the conversion price in effect at the time of conversion for such series of redeemable convertible preferred stock as defined by the Company's certificate of incorporation, as amended. As of December 31, 2020 the conversion ratio for the Series Preferred was one-to-one.

Each share of redeemable convertible preferred stock would automatically convert into shares of common stock at the then-effective conversion rate of such shares upon the earliest to occur of (i) the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock of the Company to the public with offering proceeds to the Company in excess of $50 million (net of underwriters' discounts, concessions, commissions, and expenses) or (ii) the consent of holders of at least 35% of the then outstanding shares of Series A Preferred and Series A-1 Preferred, voting together as a single class; the holders of a majority of the then outstanding shares of Series A Preferred, voting as a separate class; the holders of a majority of the then outstanding shares of Series B Preferred, voting as a separate class; the holders of a majority of the then outstanding shares of Series C Preferred, voting as a separate class; the holders of at least 60% of the then outstanding shares of Series D Preferred, voting as a separate class; the holders of a majority of the then outstanding shares of Series E Preferred, voting as a separate class; and the holders of at least 80% of the then outstanding shares of Series F Preferred, voting as a separate class, all on an as-converted basis.

In the event the Company sold its common stock in a firmly underwritten public offering pursuant to a registration statement under the Securities Act in which all of the Series F Preferred Stock are to be converted to common stock, and the actual net initial offering price (the “IPO Price”) to the public was less than $24.13 per share (as adjusted for stock splits, stock dividends, reclassification and the like), then the conversion price for each share of Series F Preferred Stock would be adjusted immediately prior to the conversion of the Series F Preferred Stock into common stock to a price equal to the IPO Price (as adjusted for stock splits, stock dividends, reclassification and the like).

Liquidation—In the event of any liquidation, dissolution, or winding-up of the Company, the holders of the Series Preferred stock would be entitled to receive, ratably, prior and in preference to any distribution of the assets or funds of the Company to the holders of the common stock, an amount equal to the issuance price per share as adjusted for any stock dividends, combinations, splits, recapitalizations, and similar transactions, plus any accrued and unpaid dividends and any other declared but unpaid dividends (the “Liquidation Preference”). If the Company had insufficient assets to permit payment of the Liquidation Preference in full to all holders of Series Preferred, then the assets of the Company would be distributed ratably to the holders of Series Preferred in proportion to the Liquidation Preference such holders would otherwise be entitled to receive. After payment of the Liquidation Preference to the holders of redeemable convertible preferred stock, the remaining assets of the Company would be distributed ratably to the holders of common stock on a fully-converted basis.

Dividends—The holders of Series Preferred stock were entitled to receive, out of any funds legally available, noncumulative dividends prior and in preference to any dividends paid on the common stock, as adjusted for stock splits, stock dividends, combinations, recapitalizations, and similar transactions, when, as, and if declared by the Board of Directors. After payment of such dividends on the Series Preferred stock, any additional dividends or distributions would be distributed among all holders of common stock in proportion to the number of shares of common stock that would be held by each such holder if all shares of redeemable convertible preferred stock were converted to common stock at the then-effective conversion rate. Such dividends are not cumulative. No dividends were declared or paid on the Company’s redeemable convertible preferred stock.

Redemption—The Company was obligated to redeem the Series Preferred at any time after November 13, 2026, at the election of, and notice by the holder at a price equal to the Series Preferred original issuance price, plus all declared but unpaid dividends thereon. The Series Preferred could also be redeemed upon the occurrence of certain deemed liquidation events, as the majority of the holders could opt to redeem the shares at the liquidation preference upon certain events as defined by the Company’s articles of incorporation, as amended, and include a merger, acquisition or sale of substantially all of the assets.

Changes in the redemption value of the redeemable convertible preferred stock, if any, would be recorded in the period occurred as an adjustment to additional paid-in capital in the consolidated balance sheets. The Company does not adjust the carrying values of the redeemable convertible preferred stock to the redemption value until such time as a deemed liquidation event is probable of occurring. As of December 31, 2020 and December 31, 2019,the redeemable convertible preferred stock had not been adjusted to its redemption value as it was not probable whether or when a deemed liquidation event would occur.

14. Common stock

Common stockholders are entitled to one vote per share. The Company had the following common stock reserved for future issuance as of December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Conversion of redeemable convertible preferred stock	—	85,391,338
Warrants for redeemable convertible preferred stock	—	12,595
Stock options outstanding to purchase common stock (1)	20,342,259	18,932,979
Stock available for future issuance:		
2010 Equity Incentive Plan	—	3,917,161
2021 Equity Incentive Plan	11,417,359	—
2021 Employee Stock Purchase Plan	2,800,000	—
Total shares of common stock reserved	34,559,618	108,254,073

(1) Excludes 106,155 and 95,475 cash-settled stock appreciation rights (“SARs”) outstanding as of December 31, 2021 and December 31, 2020, respectively.

15. Equity incentive plans

In 2010, the Company adopted the 2010 Equity Incentive Plan (the “2010 Plan”). The 2010 Plan provided for incentive stock options (“ISOs”), non-statutory stock options (“NSOs”, collectively with ISOs, “Stock Options”), SARs, restricted stock, and RSUs to be granted to eligible employees, directors, and consultants. The Company’s Board of Directors most recently approved an amended and restated 2010 Equity Incentive Plan as of September 28, 2021, which authorized the issuance of 850,000 additional shares for a total of 44,340,706.

The 2010 Plan was terminated in October 2021 in connection with the IPO but continues to govern the terms and conditions of the outstanding awards granted pursuant to the 2010 Plan. No further equity awards will be granted under the 2010 Plan.

The Company adopted the 2021 Equity Incentive Plan (the "2021 Plan") in September 2021, which became effective on October 28, 2021 (collectively with the 2010 Plan, the "Equity Incentive Plans"). The 2021 Plan provides for the granting of ISOs, NSOs, SARs, restricted stock, RSUs, and performance awards to eligible employees, directors, and consultants. All of the aforementioned equity incentive plans were approved by the Company’s stockholders.

The Company initially reserved 13,800,000 shares for issuance under the 2021 Plan. The amount available for issuance is subject to an annual increase on the first day of each calendar year, beginning on January 1, 2023, in an amount equal to 5% of the outstanding shares of the Company’s common stock on the last day of the immediately preceding calendar year or a lesser amount determined by the Company’s Board of Directors or compensation committee. The amount available for issuance shall also include Returning Shares, which are any shares subject to awards granted under the 2010 Plan that, on or after October 29, 2021, expire or otherwise terminate without having been exercised in full, are tendered to or withheld by the Company for payment of an exercise price or for tax withholding obligations, or are forfeited to or repurchased by the Company due to failure to vest.

Stock options—The Company may grant stock options at exercise prices not less than the fair market value at the date of grant. These options generally expire 10 years from the date of grant. The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period for each award, which is generally even over four years.

The following is a summary of activity for stock options under the Equity Incentive Plans (amounts in thousands, except share and per share amounts):

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance - December 31, 2020	18,532,979	$ 5.12	8.46	$ 123,166
Granted	5,529,439	21.97		
Exercised	(2,923,761)	3.75		
Canceled	(1,196,398)	10.02		
Balance - December 31, 2021	19,942,259	$ 9.70	8.14	$ 226,350
Vested & Expected to Vest as of December 31, 2021	19,942,259	$ 9.70	8.14	$ 226,350
Exerciseable as of December 31, 2021	8,002,666	$ 4.77	7.41	$ 118,769

The weighted average grant date fair values of stock options granted during the fiscal years ended December 31, 2021, 2020, and 2019 was $16.01, $5.48 and $1.66 per share, respectively.

Total aggregate intrinsic value of options exercised during the fiscal years ended December 31, 2021, 2020, and 2019 was $59.7 million, $34.8 million, and $11.0 million, respectively.

As of December 31, 2021, total unrecognized stock-based compensation expense related to unvested stock options was $95.8 million, which will be recognized over a weighted average period of 2.5 years.

The Company estimates the fair value of stock-based compensation for stock options by utilizing the Black-Scholes option-pricing model, which is dependent upon several variables, such as the expected option term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected option term, and expected dividend yield rate over the expected option term. These amounts are estimates and, thus, may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The calculation of grant date fair value of stock options was based on the following weighted average assumptions:

	Fiscal Year Ended December 31,		
	2021	2020	2019
Risk-free interest rate	1.0%	0.5%	2.2%
Expected volatility	60.5%	57.3%	48.1%
Expected life (in years)	6.0	5.9	6.0
Expected dividend yield	—%	—%	—%

Stock appreciation rights—The Company may grant SARs at exercise prices not less than the fair market value at the date of grant. The SARs are liability-classified awards that generally expire 10 years from the date of grant. The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period for each award, which is generally even over four years. Refer to Note 2 "Summary of Significant Accounting Policies—Stock-Based Compensation" for more information.

The following is a summary of activity for SARs under the Equity Incentive Plans (amounts in thousands, except share and per share amounts):

	SARs Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance - December 31, 2020	95,475	$ 5.64	9.00	$ 586
Granted	17,755	22.56		
Exercised	(458)	3.12		
Canceled	(6,617)	6.04		
Balance - December 31, 2021	106,155	$ 8.45	8.25	$ 1,267
Vested & Expected to Vest as of December 31, 2021	106,155	$ 8.45	8.25	$ 1,267
Exercisable as of December 31, 2021	48,560	$ 5.34	7.90	$ 690

The weighted average grant date fair values of SARs granted during the fiscal years ended December 31, 2021, 2020, and 2019 was $22.47, $6.04, and $5.00 per share, respectively.

As of December 31, 2021, total compensation cost related to unvested SARs not yet recognized was $0.7 million, which will be recognized over a weighted average period of 2.3 years.

The Company estimates the fair value of stock-based compensation for SARs by utilizing the same Black-Scholes option-pricing model as described under the Stock Options subheading above. The calculation of grant date fair value of SARs was based on the following weighted average assumptions:

	Fiscal Year Ended December 31,		
	2021	2020	2019
Risk-free interest rate	1.5%	0.7%	1.9%
Expected volatility	60.9%	58.3%	54.3%
Expected life (in years)	6.2	6.1	5.4
Expected dividend yield	—%	—%	—%

Restricted stock units—The Company first issued RSU awards in November 2021. The fair value of RSUs is determined using the fair value of the Company's common stock on the date of grant. The Company recognizes stock-based compensation expense for RSUs with service-based vesting conditions on a straight-line basis over the requisite service period for each award, which typically vest over a three or four-year period.

A summary of RSU activity under the 2021 Plan is as follows (in thousands, except per share data):

	RSUs Outstanding	Weighted Average Grant Date Fair Value
Unvested - December 31, 2020	—	$ —
Granted	2,569,153	27.64
Released	—	—
Canceled	(24,102)	27.64
Unvested - December 31, 2021	2,545,051	$ 27.64

As of December 31, 2021, total unrecognized stock-based compensation expense related to unvested RSUs was $68.6 million, which will be recognized over a weighted average period of 3.9 years.

Performance-based awards—Under its 2010 Plan, the Company may grant share-based awards whose vesting is contingent on meeting various departmental or company-wide performance goals, such as the achievement of certain sales targets or an IPO event, in lieu of or in addition to a service-based vesting condition ("Performance-Based Awards"). Such awards are generally granted with an exercise price equal to the fair market value of the underlying common stock share on the date of grant and have a contractual term of 10 years. If vesting is dependent on satisfying a performance condition that is probable of being achieved, the Company estimates the expected term as the midpoint between the time at which the performance conditions are probable of being satisfied and the contractual term of the award. If vesting is dependent on satisfying a performance condition that is not probable of being achieved and the service period is not explicitly stated, the Company estimates the expected term as the contractual term. The remaining inputs to the Black-Scholes option pricing model used to determine grant date fair value, including risk-free interest, expected volatility, and expected dividend yield, are calculated using the same method as that used for stock options with service-based vesting conditions. Grants for Performance-Based Awards are made out of the same pool of stock options available for future issuance under the Equity Incentive Plans.

Compensation expense for Performance-Based Awards is based on the grant date fair market value. The Company recognizes expense for Performance-Based Awards having either (a) multiple performance-based vesting conditions, or (b) performance and graded service-based vesting conditions, by separately attributing each vesting tranche of the award over the requisite service period applicable to each vesting condition. Management's estimate of the number of shares expected to vest is based on the anticipated achievement of the specified performance goals. If the performance-based vesting condition is considered probable of being achieved, the Company recognizes expense over the remaining service period based on the probable outcome of achievement. If the performance goals are not met, no compensation cost is recognized, and any previously recognized compensation cost is reversed. For awards with both performance and service-based vesting conditions where the performance condition is considered improbable of being achieved, the Company does not recognize expense until the performance condition is satisfied, after which time expense is recognized over the requisite service period.

The Company had two Performance-Based Awards outstanding as of December 31, 2021, and December 31, 2020.

In 2018, the Company granted an award of 50,000 stock options that will become eligible to vest upon the closing of the Company's IPO occurring prior to the sixth (6th) anniversary of the date the award was granted and subject to recipient's continued service to the Company through the IPO closing date. Upon satisfaction of the IPO requirement, the options vest in 48 equal monthly installments thereafter, subject to the recipient continuing to provide service to the Company through each vesting date. In 2020, the Company modified the performance condition of the award to include a change in control event as defined in the Company's 2010 Plan. Prior to the Company's IPO on October, 29, 2021, management considered the performance-based vesting conditions improbable of being satisfied. Upon completion of the IPO, the performance condition was satisfied, and the Company recognized an immaterial amount of cumulative stock-based compensation expense.

In 2020, the Company granted 350,000 stock options with performance-based vesting conditions, with 50% vesting when the Company achieves $230.0 million in UB Annual Recurring Revenue ("ARR"), and the other 50% vesting when the Company achieves $330.0 million in UB ARR. Management considered that both performance-based vesting conditions were probable of being satisfied during the performance period. As such, the Company began recognizing expense for each tranche of the award using the estimated time period by which the performance conditions are probable of being achieved. The $230.0 million UB ARR performance condition was achieved in the fourth quarter of fiscal year 2021, though the award was not exercisable until the

Board of Directors' compensation committee formally certified satisfaction of the performance condition in February 2022.

The following table summarizes the activities of Performance-Based Options under the 2010 Plan (amounts in thousands, except share and per share amounts):

	Performance-Based Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance - December 31, 2020	400,000	$ 10.12	9.60	$ 660
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Balance - December 31, 2021	400,000	$ 10.12	8.60	$ 3,768
Vested & Expected to Vest as of December 31, 2021	400,000	$ 10.12	8.60	$ 3,768
Exercisable as of December 31, 2021	2,083	$ 3.06	6.58	$ 34

As of December 31, 2021, total compensation cost related to unvested Performance-Based Awards not yet recognized was $0.6 million, which will be recognized over a weighted average period of 0.8 years.

Employee Stock Purchase Plan— The 2021 Employee Stock Purchase Plan (the "ESPP") became effective on October 29, 2021. The Company initially reserved 2,800,000 shares of the Company's common stock under the ESPP. Shares reserved for issuance shall increase on the first day of the fiscal year, beginning in fiscal 2023, in an amount equal to the least of 1% of the outstanding shares of common stock on the last day of the immediately preceding Fiscal Year, three times the initial number of shares reserved under the ESPP, or a lesser amount determined by the Company's Board of Directors or compensation committee.

The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount of 15% during an offering period. Offering periods are 24-month periods beginning on the first trading day on or after May 20 or November 20 (defined as the enrollment date), except for the first offering period which commenced on October 29, 2021, and will end on November 20, 2023. Each offering period has four purchase periods which last approximately 6 months, or the length of time between exercise dates (defined as the first trading day on or after May 20 and November 20 of each purchase period), except that the first purchase period of any offering period is the time between the enrollment date and first exercise date. At the start of an offering period, eligible employees may elect to contribute up to 15% of their eligible compensation each payroll period during that offering period to purchase shares of common stock in accordance with the ESPP.

On each exercise date, eligible employees will purchase the Company's common stock at a price per share equal to 85% of the lesser of the fair market value of the Company's common stock on (i) the enrollment date or (ii) the exercise date. For the fiscal year ended December 31, 2021, no shares of common stock were issued under the ESPP, as the first exercise date had not yet occurred.

The following table summarizes the weighted-average assumptions used in estimating the fair value of ESPP for the initial offering period using the Black-Scholes option-pricing model:

	Fiscal Year Ended December 31, 2021
Risk-free interest rate	0.3%
Expected volatility	61.2%
Expected life (in years)	1.2
Expected dividend yield	—%

As of December 31, 2021, total unrecognized compensation cost for the ESPP was $6.6 million, which will be recognized over a weighted average period of 1.9 years.

Other equity transactions**—**During the fiscal year ended December 31, 2021, the Company facilitated a tender offer for certain eligible employees to sell 236,086 vested stock options and outstanding shares of common stock to an existing investor at a per share price of $23.75 per share. The Company recorded stock-based compensation of $1.6 million during the fiscal year ended December 31, 2021 in its consolidated statements of operations for the difference between the price paid and the fair value of the Company's common stock on the date of the transaction.

During the fiscal year ended December 31, 2020, the Company facilitated a tender offer for certain eligible employees to sell 891,265 vested stock options and outstanding shares of common stock at a per share price of $11.22 per share. The Company recorded stock-based compensation of $3.5 million during the fiscal year ended December 31, 2020, in its consolidated statements of operations for the difference between the price paid and the fair value of the Company's common stock on the date of the transaction.

During the fiscal year ended December 31, 2019, the Company facilitated a tender offer for certain eligible employees to sell 300,000 vested stock options and outstanding shares of common stock to a new investor at a per share price of $10.00 per share. The Company recorded stock-based compensation of $2.1 million in its consolidated statements of operations for the difference between the price paid and the fair value of the Company's common stock on the date of the transaction.

Additionally, during the fiscal years ended December 31, 2021, 2020 and 2019 the Company waived its right of first refusal and transfer restrictions with respect to certain transfers of outstanding common stock. Where the Company has concluded that such transfers included a deemed compensatory element as a result of both the Company's role in facilitating the transfers and the buyers of the shares transferred having a pre-existing economic interest in the Company's equity, the Company recorded stock-based compensation expense for the difference between the price paid and the fair market value on the date of the transaction. The Company recorded $4.0 million, $17.9 million and $1.7 million of stock-based compensation expense in an aggregate amount during the fiscal years ended December 31, 2021, 2020, and 2019, respectively.

On August 24, 2021, the Company issued 61,300 shares of Udemy restricted common stock to a former executive of CorpU at a grant date fair value per share of $34.14. The total compensation cost recognized during the fiscal year ended December 31, 2021 was $0.2 million. As of December 31, 2021, total compensation cost related to the restricted stock not yet recognized was $1.8 million, which will be recognized over a weighted average period of 2.6 years.

Total stock-based compensation expense included in the consolidated statements of operations was as follows (in thousands):

	Fiscal Year Ended December 31,		
	2021	2020	2019
Cost of revenue	$ 1,623	$ 418	$ 299
Sales and marketing	8,637	7,518	3,001
Research and development	6,816	5,232	2,357
General and administrative	17,604	18,450	3,306
Total stock-based compensation expense	$ 34,680	$ 31,618	$ 8,963

The Company capitalized $2.5 million, $0.7 million, and $0.3 million of stock-based compensation expense as capitalized software during the fiscal years ended December 31, 2021, 2020, and 2019, respectively.

Due to the adoption of ASU 2018-15 as described in Note 2 ("Summary of significant accounting policies"), the Company capitalized $0.1 million of stock-based compensation expense as cloud computing costs during the fiscal year ended December 31, 2021.

16. Net loss per share

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share amounts):

	Fiscal Year Ended December 31,		
	2021	2020	2019
Numerator:			
Net loss attributable to common stockholders	$ (80,026)	$ (77,620)	$ (69,703)
Denominator:			
Weighted-average shares used in computing net loss per share attributable to common stockholders	54,972,827	33,384,438	27,096,379
Net loss per share attributable to common stockholders, basic and diluted	$ (1.46)	$ (2.33)	$ (2.57)

The following potentially dilutive securities were excluded from the computation of diluted net loss per share calculations, because the impact of including them would have been anti-dilutive:

	Fiscal Year Ended December 31,		
	2021	2020	2019
Redeemable convertible preferred stock	—	85,391,338	79,472,483
Stock options	20,342,259	19,028,454	17,889,502
RSUs and restricted stock	2,606,351	—	—
Contingently issuable shares under ESPP	60,880	—	—
Early exercised common stock options subject to repurchase	—	—	2,337
Redeemable convertible preferred stock warrants	—	12,595	12,595
Total potentially dilutive securities	23,009,490	104,432,387	97,376,917

17. Segment and geographic information

The Company’s Chief Executive Officer is its CODM. The CODM reviews separate financial information presented for the Company’s two segments, Consumer and Enterprise, in order to allocate resources and evaluate the Company’s financial performance.

The Consumer segment targets individual learners seeking to obtain hands-on learning, gain valuable job skills to advance their professional careers, or learn a new personal skill. The Enterprise segment is focused on helping business and government customers upskill and reskill their employees and public servants. The CODM measures the performance of each segment primarily based on segment revenue and segment gross profit.

Segment gross profit, as presented below, is defined as segment revenue less segment cost of revenue. Segment cost of revenue includes content costs, hosting and platform costs, customer support services, and payment processing fees that are allocable to each segment. Segment gross profit excludes amortization of capitalized software, depreciation, stock-based compensation, and amortization of intangible assets allocated to cost of revenue as the CODM does not include the information in his measurement of the performance of the operating segments. Additionally, the Company does not allocate sales and marketing expenses, research and development expenses, and general and administrative expenses because the CODM does not include the information in his measurement of the performance of the operating segments. The Udemy platform supports the operations of each segment.

The CODM does not use asset information by segments to assess performance and make decisions regarding allocation of resources, and the Company does not track its long-lived assets by segment. The geographic identification of these assets is set forth below.

Financial information for each reportable segment was as follows (in thousands):

	Fiscal Year Ended December 31,		
	2021	2020	2019
Revenue			
Consumer	$ 328,703	$ 326,454	$ 225,500
Enterprise	186,954	103,445	50,827
Total Revenue	$ 515,657	$ 429,899	$ 276,327
Segment cost of revenue			
Consumer	159,342	165,804	118,669
Enterprise	63,984	35,519	18,906
Total segment cost of revenue	$ 223,326	$ 201,323	$ 137,575
Segment gross profit			
Consumer	169,361	160,650	106,831
Enterprise	122,970	67,926	31,921
Total segment gross profit	$ 292,331	$ 228,576	$ 138,752
Reconciliation of segment gross profit to gross profit			
Amortization of capitalized software	9,293	6,894	4,909
Amortization of intangible assets	1,022	—	—
Depreciation	760	618	727
Stock-based compensation	1,623	418	299
Total reconciling items	12,698	7,930	5,935
Total gross profit	$ 279,633	$ 220,646	$ 132,817

Subsequent to the issuance of the Company’s consolidated financial statements as of and for the years ended December 31, 2020 and 2019, the Company identified an error in the classification of segment cost of revenue between the Consumer and Enterprise segments. Management corrected the error in the table above by decreasing Consumer segment cost of revenue and increasing Enterprise segment cost of revenue by $6.7 million for the year ended December 31, 2020, and by decreasing Consumer segment cost of revenue and increasing Enterprise segment cost of revenue by $4.1 million for the year ended December 31, 2019. Consumer segment gross profit increased by $6.7 million and $4.1 million for the years ended December 31, 2020 and 2019, respectively, and Enterprise segment gross profit decreased by $6.7 million and $4.1 million for the years ended December 31, 2020 and 2019, respectively. Management considers such corrections to be immaterial to the previously issued consolidated financial statements.

Geographic Information

Revenue: The following table summarizes the revenue by region based on the IP address at the time of registration of the Company's customers (in thousands):

	Fiscal Year Ended December 31,		
	2021	2020	2019
North America	$ 199,268	$ 168,612	$ 113,604
Europe, Middle East, Africa	168,612	139,005	88,637
Asia Pacific	107,924	85,847	47,047
Latin America	39,853	36,435	27,039
Total revenue	$ 515,657	$ 429,899	$ 276,327

No single country other than the United States represented 10% or more of the Company's total revenue during the fiscal years ended December 31, 2021, 2020 and 2019.

Long-lived assets: The following table presents the Company's long-lived assets, which consist of tangible property and equipment, net of depreciation, by geographic region (in thousands):

	December 31, 2021	December 31, 2020
North America	$ 6,922	$ 5,327
Rest of world	2,832	3,653
Total long-lived assets	$ 9,754	$ 8,980

18. Subsequent events

In preparing the consolidated financial statements as of December 31, 2021 and for the fiscal years ended December 31, 2021, 2020, and 2019 the Company has evaluated subsequent events through March 25, 2022, the date the consolidated financial statements were available for issuance.

On February 15, 2022, the Company granted 1,683,039 RSUs to employees at a grant date fair value of $14.32 per share that generally vest over a four-year period.

On February 28, 2022, the Company completed the second tranche purchase of $5.0 million of preferred stock as a part of its strategic investment in a privately held online education platform technology company.

Part IV

Item 15. Exhibits

The following documents are filed as a part of this report:

(a) Financial Statements

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Form 10-K/A.

(b) Financial Statement Schedules

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

(c) Exhibits

The exhibits listed below are filed as part of this report, or are incorporated herein by reference, in each case as indicated below.

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit No.	**Exhibit Description**	**Form**	**File Number**	**Exhibit**	**Filing Date**
3.1	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-40956	3.1	November 2, 2021
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-40956	3.2	November 2, 2021
4.1	Fifth Amended and Restated Investor Rights Agreement by and among the Registrant and certain of its stockholders, dated November 13, 2020	S-1	333-260042	4.1	October 5, 2021
4.2	Form of common stock certificate of the Registrant	S-1	333-260042	4.2	October 5, 2021
4.3	Description of common stock of the Registrant	10-K	001-40956	4.3	March 25, 2022
10.1	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers	S-1	333-260042	10.1	October 5, 2021
10.2#	2010 Equity Incentive Plan, as amended, and forms of agreement thereunder	S-1	333-260042	10.2	October 5, 2021
10.3#	2021 Equity Incentive Plan and forms of agreements thereunder	S-1	333-260042	10.3	October 5, 2021
10.4#	2021 Employee Stock Purchase Plan, as amended and restated, and forms of agreements thereunder	S-1	333-260042	10.4	October 5, 2021
10.5#	Employee Incentive Compensation Plan	S-1	333-260042	10.5	October 5, 2021
10.6#	Outside Director Compensation Policy	S-1	333-260042	10.6	October 5, 2021
10.7#	Confirmatory Employment Letter by and between the Registrant and Gregg Coccari	S-1	333-260042	10.7	October 5, 2021

10.8#	Confirmatory Employment Letter by and between the Registrant and Sarah Blanchard	S-1	333-260042	10.8	October 5, 2021
10.9#	Confirmatory Employment Letter by and between the Registrant and Velayudhan Venugopal	S-1	333-260042	10.9	October 5, 2021
10.10#	Confirmatory Employment Letter by and between the Registrant and Gregory Brown	S-1	333-260042	10.10	October 5, 2021
10.11#	Confirmatory Employment Letter by and between the Registrant and Cara Brennan Allamano	S-1	333-260042	10.11	October 5, 2021
10.12#	Confirmatory Employment Letter by and between the Registrant and Llibert Argerich	S-1	333-260042	10.12	October 5, 2021
10.13#	Confirmatory Employment Letter by and between the Registrant and Prasad Gune	S-1	333-260042	10.13	October 5, 2021
10.14#	Change in Control and Severance Agreement by and between the Registrant and Gregg Coccari	S-1	333-260042	10.14	October 5, 2021
10.15#	Change in Control and Severance Agreement by and between the Registrant and Sarah Blanchard	S-1	333-260042	10.15	October 5, 2021
10.16#	Change in Control and Severance Agreement by and between the Registrant and Velayudhan Venugopal	S-1	333-260042	10.16	October 5, 2021
10.17#	Change in Control and Severance Agreement by and between the Registrant and Gregory Brown	S-1	333-260042	10.17	October 5, 2021
10.18#	Change in Control and Severance Agreement by and between the Registrant and Cara Brennan Allamano	S-1	333-260042	10.18	October 5, 2021
10.19#	Change in Control and Severance Agreement by and between the Registrant and Llibert Argerich	S-1	333-260042	10.19	October 5, 2021
10.20#	Change in Control and Severance Agreement by and between the Registrant and Prasad Gune	S-1	333-260042	10.20	October 5, 2021
21.1	List of subsidiaries	S-1	333-260042	10.20	October 5, 2021
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm				
24.1	Powers of Attorney (contained on signature page of the Original 10-K)	10-K	001-40956	24.1	March 25, 2022

31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-K	001-40956	31.1	March 25, 2022
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-K	001-40956	31.2	March 25, 2022
31.3	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.4	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1*	Certifications of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	10-K	001-40956	32.1	March 25, 2022
32.2*	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	10-K	001-40956	32.2	March 25, 2022
32.3†	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.4†	Certification of the 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.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

# Indicates a management contract or compensatory plan or arrangement.

* Previously furnished with the Original 10-K.

The certifications attached as Exhibits 32.3 and 32.4 that accompany this Form 10-K/A are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Udemy, 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 hereof, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

		Udemy, Inc.
Date: April 13, 2022	By:	/s/ Gregg Coccari
		Gregg Coccari President and Chief Executive Officer
Date: April 13, 2022	By:	/s/ Sarah Blanchard
		Sarah Blanchard Chief Financial Officer

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Gregg Coccari Gregg Coccari	President, Chief Executive Officer and Chairperson of the Board of Directors	April 13, 2022
/s/ Sarah Blanchard Sarah Blanchard	Chief Financial Officer Principal Financial and Accounting Officer	April 13, 2022
* Eren Bali	Director	April 13, 2022
* Kenneth Fox	Director	April 13, 2022
* Heather Hiles	Director	April 13, 2022
* Lawrence Illg	Director	April 13, 2022
* Jeffrey Lieberman	Director	April 13, 2022
* Lydia Paterson	Director	April 13, 2022
*By: /s/ Gregg Coccari Gregg Coccari Attorney-in-fact		

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos 333-261421 and 333-260595 on Form S-8 of our report dated March 25, 2022, relating to the financial statements of Udemy, Inc., appearing in this Annual Report on Form 10-K/A for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

San Francisco, California

April 13, 2022

Exhibit 31.3

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Gregg Coccari, certify that:

1. I have reviewed this Form 10-K/A of Udemy, 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 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)) 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) 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
   (c) 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 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: April 13, 2022	By:	/s/ *Gregg Coccari*
		Gregg Coccari
		President and,
		Chief Executive Officer
		(Principal Executive Officer)

Exhibit 31.4

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sarah Blanchard, certify that:

1. I have reviewed this Form 10-K/A of Udemy, 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 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)) 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) 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
   (c) 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 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: April 13, 2022

By: /s/ *Sarah Blanchard*

Sarah Blanchard
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.3

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K/A of Udemy, Inc. (the “Company”) for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:

Date: April 13, 2022

/s/ *Gregg Coccari*

Gregg Coccari
President and,
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.4

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K/A of Udemy, Inc. (the “Company”) for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 13, 2022	By:	/s/ *Sarah Blanchard*
		Sarah Blanchard
		Chief Financial Officer
		(Principal Financial Officer)