



# Elastos Foundation

## Financial Report

1 January 2022 - 30 June 2022

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# Notice to Readers

Information contained in this Report is given as of 30 June, 2022, except as otherwise noted.

This Report is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any ELA tokens.

Readers should not construe the contents of this Report as financial or investment advice and should not rely upon this Report for the purposes of buying, selling or holding ELA tokens, or for any other purpose.

This Report may include information that might be considered forward-looking. Readers are cautioned not to place undue reliance on these forward-looking statements. The Foundation does not undertake, and specifically declines any obligation to update such information or statements or to publicly announce the results of any revisions to any such information or statements.

The audited financial information provided in this Report has been prepared by the DAB Team and does not include complete financial statements.

All figures in this Report are denominated in BTC and ELA unless otherwise stated.

The Elastos Foundation entrusted a legally qualified accounting firm (hereinafter referred to as the "Firm") to audit the use of legal tender and digital assets during January 2022 to June 2022 in accordance with the relevant accounting standards of the location where the firm is registered and issued the audit report. However, due confidentiality agreement, the Foundation shall not disclose the name of the auditing firm.



# Introduction

In the first half of 2022, the Elastos Foundation has seen significant growing interest in and demand for Web3 and Web5 technologies, decentralized online tools in general, and Elastos-native platforms and services in particular. Since our formation in 2017, the Elastos Foundation has been fully committed to protecting individuals in the digital domain and providing them with the tools and services to act and live autonomously. In 2022, our foremost avenues to achieving this goal include a powerful decentralized identity solution, decentralized data storage services, and a comprehensive infrastructure dedicated to enabling users to truly own the data they generate online. Already, we have accomplished a number of significant milestones in 2022, and have seen rewarding growth in the broader Elastos ecosystem.

Every year, Elastos core development and ecosystem teams take on a pair of objectives in tandem: to enhance and expand the capabilities of Elastos' core infrastructure, and to innovate by developing entirely new applications and services to further Elastos' Web3 vision. In the first half of 2022, the Elastos Foundation began allocating some of its focus to brand awareness and product-oriented Web3 innovations powered by Elastos.

Elastos' development teams continue to advance not only their technical sophistication, but also their depth of understanding of user demographics, needs, and demands within and beyond Cyber Republic and the broader blockchain industry. The Elastos Foundation is proud to observe development teams not only producing revolutionary standalone products, but integrating features and applications to make for a seamless, connected, and intuitive experience that supports an adoption-ready Web3 ecosystem.

This Bi-Annual Financial Report includes expenditure details for research and development projects provided by a third-party audit firm to acknowledge our dedication to transparency while showcasing the many teams responsible for building the next phase of Elastos. We continue to align our technology to support ecosystem projects and stimulate growth in many Web3 sectors, including DeFi, NFTs, identity, security, wallets, social media, and additional markets that pick up traction organically.

The Elastos Foundation, as a driving force behind Elastos, a leading Web3 project, will continue to fund Elastos ecosystem projects for free. At the same time, adhering to the established non-profit principle at the time of its founding, the Elastos Foundation will not become involved in the management or operation of ecosystem projects, nor will it receive benefits from them.

On that accord, the Elastos Foundation is proud to present the Bi-Annual Elastos Foundation Financial Report, which captures the period between January and June 2022.



This report serves the purpose of providing insight into the internal operations, metrics, and strategies of the Elastos Foundation, including:

- ▶ Scope and Basis
- ▶ Audit Process
- ▶ Audit Results
- ▶ Audit Opinion

Beyond its content, this report serves to further uphold the Elastos Foundation's precedent of responsible governance and transparency. These standards reflect the Elastos Foundation's long-term focus and commitment to both its mission and community.

The Elastos Foundation's financial management practices have been structured to maintain strict discipline on spending behavior. The Foundation's finance team is responsible for overseeing the following functions as they relate to the Foundation's finances:

- ▶ Short and long-term budgeting & forecasting
- ▶ Financial planning and analysis
- ▶ Creation of and adherence to proper financial controls

The finance team maintains budgets for operational spending (BTC, ELA) and for ELA-denominated disbursements. Budgets are approved by the Board of Directors and reviewed on a monthly basis in comparison to actuals. Ongoing operational cash requirements are frequently evaluated.

The Elastos Foundation allocates budgets (BTC, ELA) within the following categories:

- ▶ Research & Development
- ▶ PR & Marketing
- ▶ Operations & Management
- ▶ Fixed Assets
- ▶ Policy, Laws and Regulations
- ▶ ELA Buyback Program



Independent of funding currency (BTC, ELA), all significant spending decisions are reviewed and approved by the Elastos Foundation Board of Directors.

**\* The audited financial information provided in this report has been prepared by the Elastos DAB team. The audit, executed by the accounting firm with legal qualifications, follows pertinent regulations in Auditing Standards for the place where the firm is registered.**



# Scope and Basis

The Elastos Foundation hired an external accounting firm to provide an audit of expenses in fiat currency, digital currency, and assets made between January 2022 and June 2022. The Elastos DAB team was responsible for providing accurate, legal, and complete information related to the audit and the auditor was responsible for issuing an opinion regarding the expenses made in and uses of legal and digital currency.

The accounting firm with legal qualifications executed the audit with reference to pertinent regulations in Auditing Standards for the place where the firm is registered to abide by professional ethical practices in order to obtain reasonable assurance of whether major inaccuracies in reporting of project expenses exist.

During the process of the audit, the firm carried out procedures deemed necessary such as spot-checking accounting records and verifying transaction records on the blockchain. Expenditure details were investigated in the six areas which included research and development, PR and marketing, operations and management, fixed assets, policy, laws and regulation expenditures, and the ELA Buyback Program.

The basis for report data and presentation of the financial data resulting from the audit is standardized in digital currency (BTC, ELA).

The purpose of auditing the Elastos Foundation internal financial data is to investigate agreements, proof, financial review procedures and other activities pertinent to each payment. The audit also serves to assume the responsibilities and activities pertinent to national laws and regulations regarding the truthfulness and legality of audit results, all based on responsibilities to those who value higher standards, responsible governance, and transparency.



# Audit Process

The audit was based upon various pieces of information, including service contracts, financial account vouchers, source documents, and records published on the blockchain. Expenditures were checked based on referencing the fiat currency sections of pertinent invoices related to the project's detailed accounts and costs expenditures.

Preparation included discussions between the Elastos Foundation and accounting firm, definition of basic tasks to be completed, and thorough analysis and evaluation of the professional competency, independence, and risk of the firm.

Following signature and acceptance of the Audit Services Contract, project leaders were assigned, an audit project team was formed, an audit plan was drafted, and a consultation with the organization to prepare the information required was completed.

At the Beijing office of Elastos Foundation's partner teams, all parties reconvened to assemble and review the information. The process was as follows:

1. Spot-checked documents related to expenditures made in fiat currency and digital currency, vouchers, invoices, service contracts, etc.
2. Recounted and verified expenditures made in digital currency (BTC, ELA) on the blockchain.
3. Firm verified all audit material with the Elastos Foundation and resolved differences and opinions between client and auditor.
4. Verified the audit materials were consistent, issued an Audit Report and Audit Verification Table, and verified approval with a stamp.
5. A summary of work performed was provided and the meeting convened to review and approve the audit report.
6. Final audit report submitted to the Elastos Foundation.



# Audit Results

This audit found that during the specified period, the total project expenditure of digital currency (BTC, ELA) were as follows:

257.41 BTC

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0.00 ELA

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The expenses were categorized as follows:

## **R&D (Research and Development)**

Included in R&D are expenditures for Research and Development, labor cost of all R&D personnel, reimbursements, cooperation with third party companies, expense sharing (office space, etc.), and other pertinent expenses.

## **PR (Public Relations) & Marketing**

This category includes PR & market labor costs, travel, third party company cooperation, shared expenses (office space, etc.), and other pertinent expenses.

## **Operations & Management**

This category Includes labor costs, travel and shared expenses (office space, etc.) generated in operation support.

## **Fixed Assets**

This category includes purchases of office equipment, furniture, monitors, test machines, and additional fixed assets.

## **Policy, Laws and Regulations**

Included in expenditures are all costs and expenses related to compliance laws and regulations.

## **ELA Buyback Program**

To facilitate a smooth transition to DPoS 2.0 consensus, repurchases are made in accordance with the Repurchase Program, as expressed in the DPoS Consensus Support Statement.

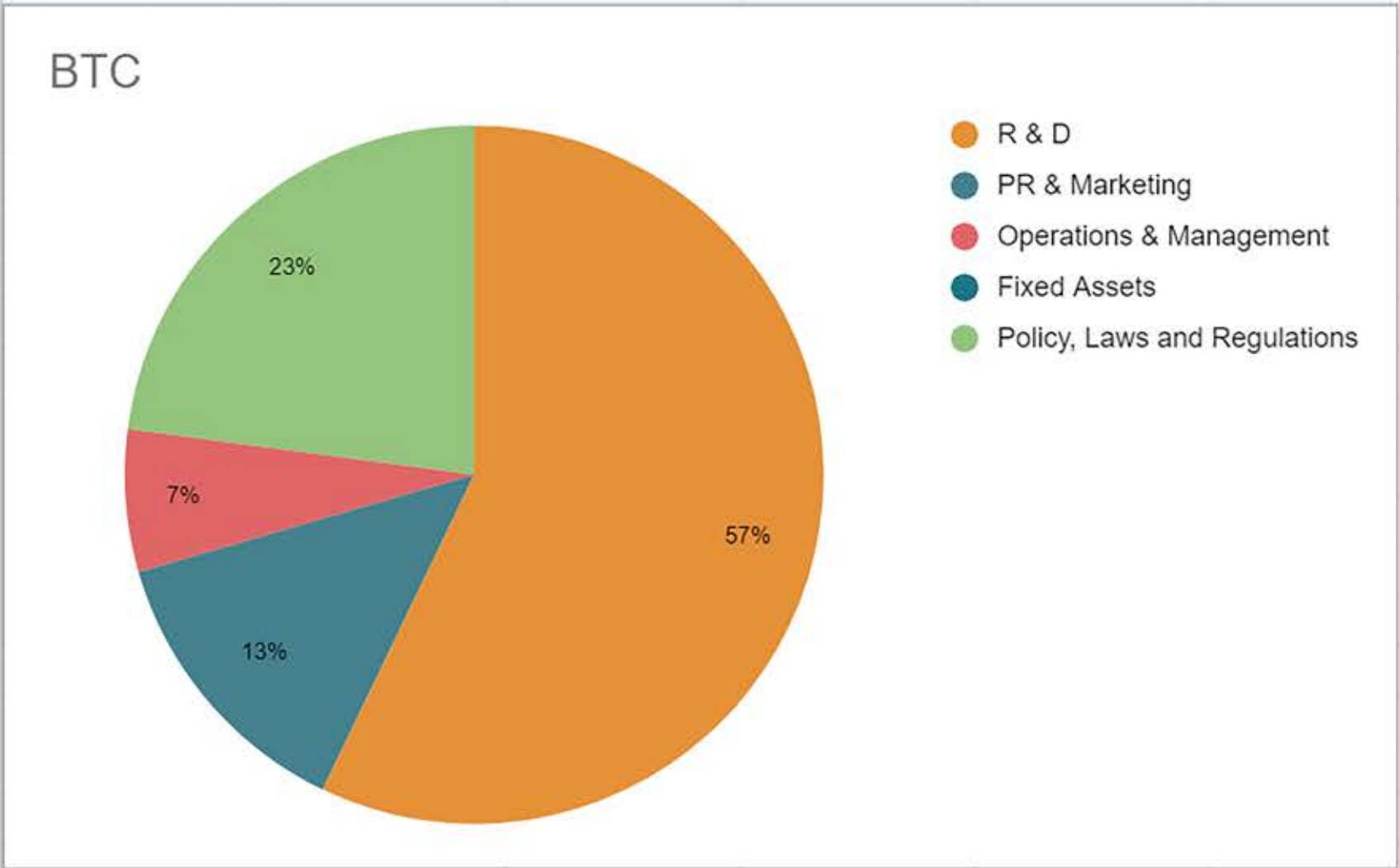


# BTC Expenditures

A summary of BTC Expenditures is provided below:

## BTC EXPENDITURE DURING Q1 and Q2 2022

EXPENSE CATEGORY	BTC
R&D (Research and Development)	100.79
PR (Public Relations) & Marketing	23.58
Operations & Management	11.62
Fixed Assets	0.00
Policy, Laws and Regulations	40.42
Total	176.41





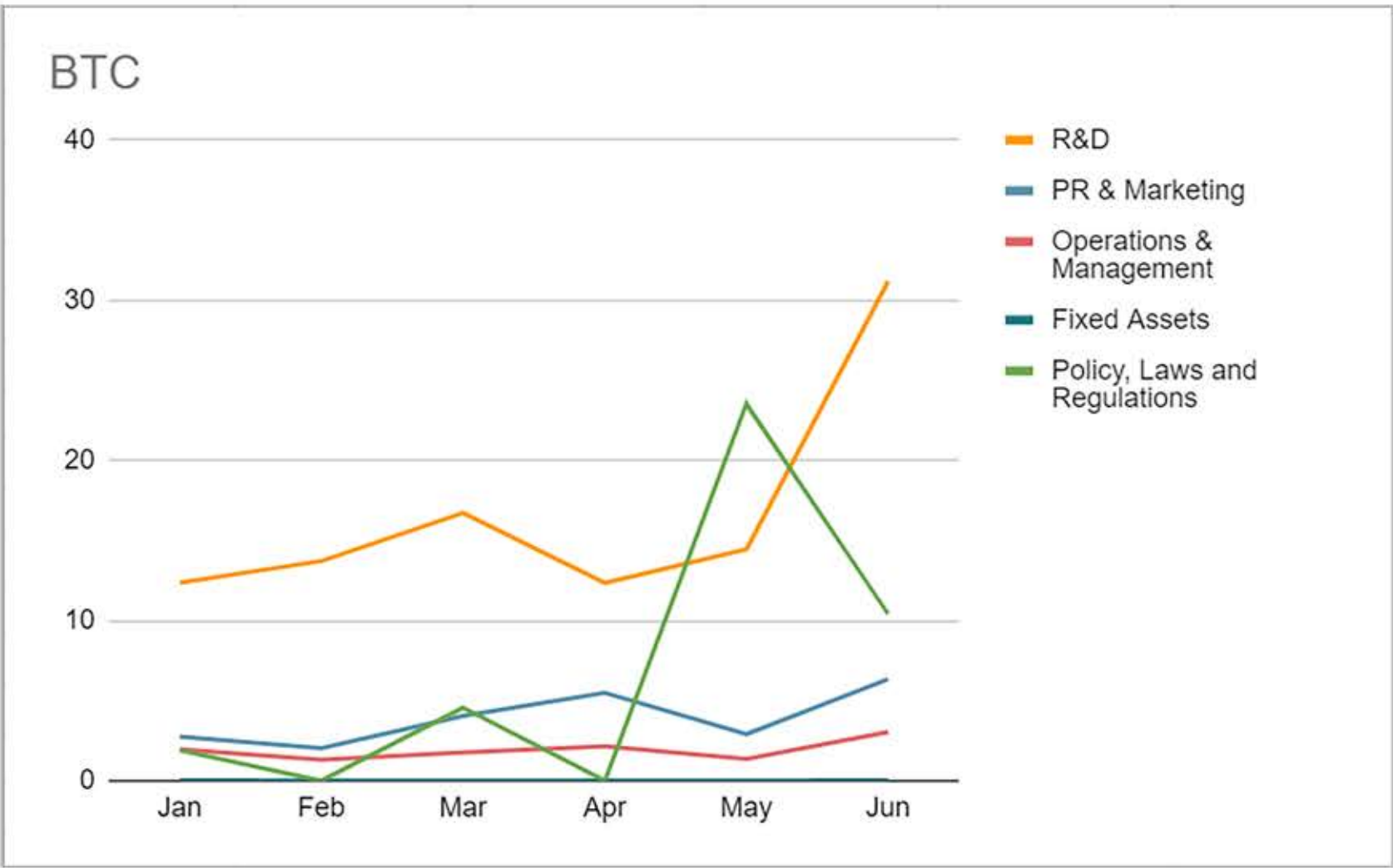
BTC EXPENDITURE for ELA BUYBACK PROGRAM

EXPENSE CATEGORY	BTC
ELA Buyback Program	81.00
Total	81.00

Monthly BTC Expenditures are provided below:

BTC EXPENDITURE DURING Q1 and Q2 2022

Expense Category	January	February	March	April	May	June	Total
R&D (Research and Development)	12.37	13.72	16.72	12.35	14.46	31.17	100.79
PR (Public Relations) & Marketing	2.76	2.03	4.05	5.49	2.91	6.34	23.58
Operations & Management	1.96	1.32	1.77	2.16	1.37	3.04	11.62
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Policy, Laws and Regulations	1.90	0.00	4.57	0.00	23.53	10.42	40.42
Total	18.99	17.07	27.11	20.00	42.27	50.97	176.41





Expenditures for Research and Development include third party company cooperation. The summary of these BTC Expenditures are provided below:

BTC EXPENDITURE DURING Q1 and Q2 2022

R & D Project Name	BTC
Blockchain	3 4 . 3 4
Core Blocks	2 7 . 7 2
Profile	1 2 . 3 9
Elastos Essentials	8 . 5 1
Feeds	5 . 9 5
MetEast	2 . 4 7
FILDA	2 . 1 3
Assist	1 . 8 4
Elacity	1 . 5 7
DEFI Protocol	1 . 1 7
CR Council nodes sponsorship	1 . 1 4
ELA wallet	0 . 8 5
CR Website	0 . 4 3
Sports Demo	0 . 2 8
Total	1 0 0 . 7 9

\* The Elastos Foundation BTC expenditure process follows a strictly managed system in which each expense is reviewed and approved accordingly, and promptly paid. There is a clear basis that each payment is true and valid and that the accounts are consistent.



# Audit Opinion

After reviewing the strategic direction of The Elastos Foundation and the evolution of its organizational structure, we found, after comprehensive review, that the authenticity and data were consistent in the following processes: the approval and expenditure of each project, the reasonable proportion of the cost of each project in each expenditure, the system for payment processing, the management or authority to approve payments, the expenditure records on relevant chains, and the on-chain compliance of financial payment vouchers.

According to our conclusions regarding the above processes, as well as the current digital currency value within its overall market environment, our findings indicate a strict management system with a clear record of payments that are consistent across all accounting ledgers.