



# Elastos Foundation Financial Report

01 January 2024 to 30 June 2024

**Notice to Readers:**

Information contained in this Report is given as of 30 June 2024, 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 from January 2024 to June 2024 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 2024, the Elastos Foundation continued its deep exploration of Web3 technologies, achieving significant milestones in the development of the New Bretton Woods (NBW) system. This system leverages decentralized technologies to provide a new financial governance framework for the global economy, ensuring transparency, security, and autonomy, and offering a fairer economic participation model for users worldwide. Since its establishment in 2017, the Elastos Foundation has been committed to advancing data privacy protection and empowering users with control over their data. In the first half of 2024, the Foundation further solidified its leadership position within the global blockchain ecosystem through continuous innovation and technological upgrades.

During the advancement of the New Bretton Woods system, the Elastos Foundation achieved remarkable breakthroughs in Zero-Knowledge Proof (ZKP) technology, significantly enhancing the platform's privacy and security. This technological progress has become a critical support for the BeL2 system, driving the development of decentralized financial (DeFi) products such as BTC Swap and BTC Loan. Notably, the system has the capability to generate stablecoins, which is crucial in the decentralized financial ecosystem. Stablecoins not only play a key role in decentralized lending but also provide users with tools to mitigate the volatility of traditional financial markets, ensuring stability and liquidity. The ability to generate stablecoins offers users more flexible financial tools, while significantly enhancing the platform's financial infrastructure to support a broader range of financial applications, thus promoting the efficient operation of the global decentralized economy. With Elastos' strong cross-chain compatibility, these stablecoins and related applications can run on smart contracts across other blockchain platforms, further expanding its ecosystem influence.

In 2024, the New Bretton Woods Project (NBW), incubated by the Harvard Innovation Labs, was officially launched. Led by former Harvard Alumni Association President Tracy Ty Moore, this project aims to leverage Native Bitcoin and BeL2 decentralized financial technologies to address the global debt crisis and bring new stability and resilience to the global economy. At the same time, teams from top academic institutions, including Harvard University, have shown great interest in this system and are actively collaborating with Elastos to drive technological research and innovation, further strengthening Elastos' leadership in the global Web3 ecosystem.

This financial report, audited by an independent third-party firm, covers all R&D project expenditures in the first half of 2024, demonstrating the Foundation's commitment to financial transparency. Looking ahead, the Elastos Foundation will continue to drive innovation and development in the Web3 ecosystem, with a focus on identity, security, data storage, and DeFi, firmly committed to realizing its Web3 vision.

On that accord, the Elastos Foundation has released the Bi-Annual Elastos Foundation Financial Report, which captures the period between January and June 2024.

This report will serve 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 precedent established by the Elastos Foundation for responsible governance and transparency. These higher standards reflect the Elastos Foundation's long-term focus and commitment to its mission and its 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 operating spend (BTC, ELA) and for ELA specific 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

All significant spending decisions, regardless of funding currency (BTC, ELA), 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 2024 and June 2024. 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 five areas which included research and development, PR and marketing, operations and management, fixed assets, and policy, laws and regulation expenditures.

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.

This audit found that during the specified period, the total project expenditure of digital currency (BTC, ELA) were as follows: 61.52 in BTC expenditure and 0 in ELA expenditure.

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**

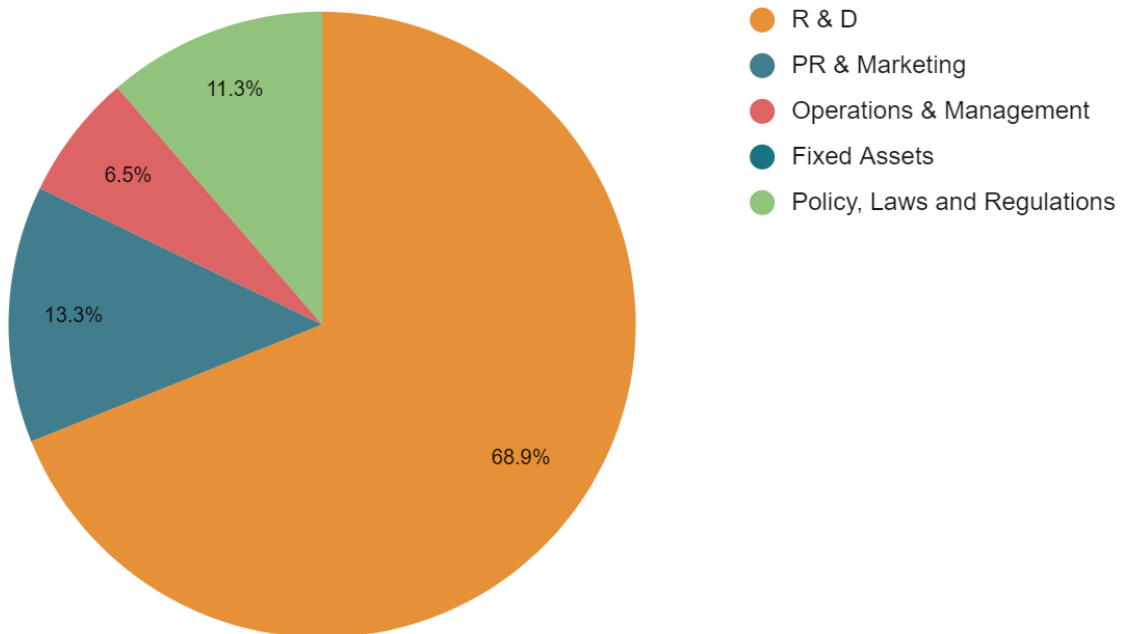
Included in expenditures are all costs and expenses related to compliance laws and regulations.

A summary of BTC Expenditures is provided below:

**BTC Expenditure during Q1 and Q2 of 2024**

Expense Category	BTC
R&D	42.38
PR & Marketing	8.17
Operations & Management	4.00
Fixed Assets	0.00
Policy, Laws and Regulations	6.97
<b>Totals</b>	<b>61.52</b>

BTC



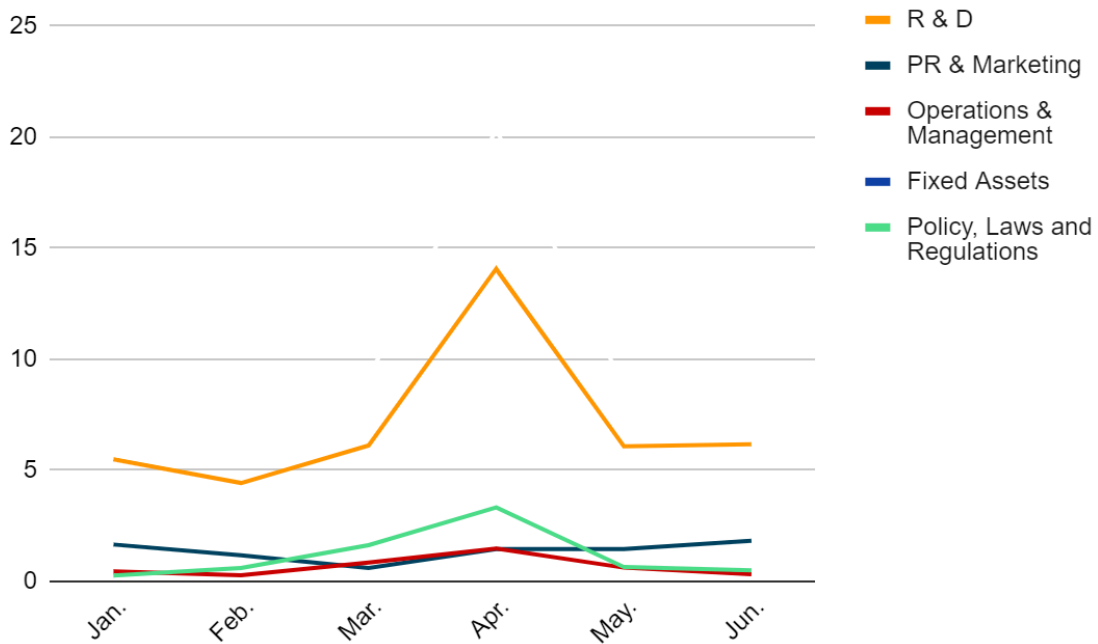


Monthly BTC Expenditures are provided below:

**BTC Expenditure during Q1 and Q2 of 2024**

Expense Category	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Total
<b>R&amp;D</b>	5.50	4.43	6.12	14.07	6.08	6.18	42.38
<b>PR &amp; Marketing</b>	1.66	1.17	0.60	1.45	1.46	1.83	8.17
<b>Operations &amp; Management</b>	0.45	0.28	0.85	1.48	0.62	0.32	4.00
<b>Fixed Assets</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Policy, Laws and Regulations</b>	0.26	0.60	1.63	3.33	0.65	0.50	6.97
<b>Total</b>	7.87	6.48	9.20	20.33	8.81	8.83	61.52

**BTC**



**\* The Elastos Foundation BTC and ELA 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**

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.