



Project / Task Proposal Report #: TBD

To: Working Group Stewards
From: Operations Working Group
Project Lead(s): Todd White
Date: July 14, 2021
Subject: Establishing Accounting and Finance Framework and supporting software.

Strategic / Objectives and Key Results (OKR) Alignment

Theme: Regulatory & Governance
OKR Target / Goal: See above.

Executive Summary

The transition from concept to the genesis event of VitaDAO was completed on June 23, 2021. VitaDAO now must transition to an operating entity capable of executing its core functions.

To facilitate the operations of these functions each working group requires an operating budget to cover core fixed costs, as well as an allowance for project-based tasks. These budgets must be established with each working group, and subsequently rolled up into an organization-wide budget for presentation to the VitaDAO community and external stakeholders.

Ongoing, there needs to be an accounting and financial reporting framework implemented to track financial performance of treasury management as income, and reporting on working group budget use, and identification of variances.

Additionally, typical bookkeeping functions such as Service Provider (SP) payments must be made and reflected for both core operations, as well as on a per-project basis.

Options / Discussion:

Background

The transition from concept to the genesis of VitaDAO has been successfully executed. Now VitaDAO must transition to support its core functions, specifically:

- Identification of potential projects for funding, vetting of those projects, and securing of term sheets to advance to proposals for voting;
- Management of the VitaDAO's capital, specifically treasury management with emphasis on generating income streams to support VitaDAO Operations;
- Ongoing design, execution, and maintenance of web3 and other technical and web-based infrastructure to allow VitaDAO working groups to submit, vote and secure decisions on VitaDAO proposals, and to conduct other activities appropriate to the operations of VitaDAO;
- and, Awareness and Community development through social media, webinars, and other market making opportunities.

As a funding vehicle for research and development in the longevity space, VitaDAO operations mimic many of the same financial functions as VC firms, with the added complexity that token holders have governance rights but not ownership of VitaDAO assets combined with an expectation that revenues generated for VitaDAO will be reinvested in further research projects as a primary goal.

Despite the expressed intent to have VitaDAO conduct its operations primarily in the DeFi and web3 space, practicality requires that VitaDAO interface with traditional international finance and legal systems to facilitate intellectual property capture and investments.

The accounting and financial reporting framework to be implemented must provide for ease-of-use for working groups given that working group members are distributed with many activities being tracked on a task/project basis. Additionally, the ability to communicate VitaDAO's financial position to the wider VitaDAO community is an important part of establishing credibility for VitaDAO as a professionally run entity to both prospective SPs, and the wider longevity and finance ecosystems.

Discussion

VitaDAO primarily operates using cryptocurrency. Assets from the Gnosis Auction genesis event consist of Ether (ETH) and USDCoin (USDC), as well as a trust of VitaDAO Tokens (VITA) to be distributed according to the Tokenomics Proposal currently being considered. These assets are controlled in a 5/8 multi-sig wallet located at [0xF5307a74d1550739ef81c6488DC5C7a6a53e5Ac2](https://etherscan.io/address/0xF5307a74d1550739ef81c6488DC5C7a6a53e5Ac2).

Our Services Providers (SP) typically will expect payment in a combination of USDC and VITA. Many transactions therefore will have “dual currency” components of stablecoin and token.

Because payment for services is conducted in cryptocurrency, the onus falls to service providers as to when and if to transfer those cryptocurrencies into fiat currency; at which point, dependent on their sovereign state-associated jurisdiction, they may be liable for taxes on those payments as income.

From a VitaDAO perspective, as a sovereign-state independent entity, we do not fall into any taxation jurisdiction, and are not subject to taxation on income derived from treasury management. As a funding vehicle, it does not appear that we provide a product or service subject to a VAT/GST tax.

Indirectly, VitaDAO pays tax through our Service Providers who may be charged taxes to buy materials and services under subcontract to VitaDAO. VitaDAO has no avenue currently to receive tax rebates in jurisdictions which provide non-residents relief, nor does VitaDAO have standing to claim reimbursements for R&D where States provide such incentives.

Going forward, VitaDAO may choose to establish Special Purpose Vehicles (SPVs) or Limited-Liability Corporations (LLCs) represented by Agents to facilitate projects, IP capture or investments.

The regulatory picture for DAOs in general is still fluid, and subject to uncertainty. To ensure our flexibility to respond to changes in regulatory, legal, and deal / project structures, our accounting framework should be harmonized with traditional finance to the extent necessary to withstand scrutiny from an accounting perspective, but without the constraints of a sovereign-state driven regulatory reporting scheme.

Specifically, implementing a web-based accounting package capable of supporting an IFRS compliant set of financial statements, and cryptocurrency support would seem to be the best option and provide us the maximum credibility for our operational practices.

Project Scope / Tasks [ET - Elapsed Time]

Phase I – Budgeting (AI Todd, WG stewards)

- 1) Todd provides a Budgeting Template in Google Sheets format (one for each WG) to capture inputs to the VitaDAO budget. [ET: 3-5 days]
- 2) Calls with WG stewards / WGs to discuss the budget inputs. [ET: 2 days]
- 3) Roll up of WG budgets into DAO-wide ops budget. [ET: 1 day]

Phase II – Accounting Process and Software Package (AI Todd, Audie / Vincent support)

- 4) AI Todd to evaluate (Audie/Vincent to provide operational tech. and treasury input) and provide options/ recommendations on accounting software with emphasis on ease of use for cryptocurrency support, SP payment and reporting flexibility. [ET: 3-4 days]
- 5) Decision to implement recommendation made by Ops WG or wider group if desired. [ET: 1 day]

Phase III – Implementation of System (AI Todd, Audie, Vincent)

- 6) Installation and setup of technical solution / packages (AI Todd with Audie / Vincent support) [ET: 2-3 days]
- 7) Setup of accounting framework -List of Accounts, User Management for Expense inputs, reporting, etc. (AI Todd) [ET: 4-5 days]
- 8) Walk through with WGs and the community as required. (AI Todd, Stefano, others?) [ET: 1 day]

Phase IV – Ongoing

- 9) Weekly/bi-weekly/monthly consolidations, and reporting as required. [ET: 0.5-2 days/mth]

Phase V – Project / Dealfow Financials

- 10) Prepare a financial information / budget template for Longevity WG projects which can be used to capture project specifics in a way easy to input and track in our accounting framework. (AI Todd, Longevity WG) [ET: 2-3 days]

Questions to be answered:

- 1) Do we want WG stewards to be responsible for entry of expenses, or do we want to designate Ops to be responsible to pull together the expenses, have WG stewards approve the invoices/expenses on a weekly or bi-weekly basis, and prepare the payments for the Multi-sig authorized group to execute – i.e. ongoing bookkeeping function?
- 2) Do we wish to track and report on projects individually as part of regular reporting, or only in summary?
- 3) Will financial statements (beyond the on-chain transaction record) be continuously available for viewing in real-time to the wider VitaDAO community, or will we select a monthly or quarterly period and publish them?

Existing Policy:

None.

Audience / Notice Provisions:

VitaDAO Working Groups.

Financial / Effort Considerations:

- 1) Depending on the solution chosen, there will be an ongoing operational cost for the accounting system as it is central to all of VitaDAO operations. The expectation is there will be a monthly subscription /maintenance fee, and perhaps an upfront expense.
Expect this to be a fiat expense.
- 2) The project will take roughly 40-50 hours to complete, primarily of Todd's time. Audie and Vincent's support may be required which may be in addition to what time they have budgeted for.
- 3) Ongoing maintenance, bookkeeping, financial reporting will require some time each period. Depending on the desired frequency to pay SPs, a couple hours weekly would probably be sufficient.

Recommendations / Next Steps:

Requesting approval to proceed - decision to be taken Monday July 26th - Ops WG Meeting.