

**Polkascan Foundation**

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The Netherlands, 18 February 2022

Subject: Polkascan Foundation Funding Request 2022 - 2024

Polkadot Governance,

**Polkascan Foundation** frames **Polkadot Network** as an enabler of the **Polkadot Economy** that spawns diversified economic activity through its permissionless and heterogeneous nature. Polkascan Foundation positions itself as the **Bureau of Economic Analysis** of the Polkadot Economy and seeks **Treasury Funding** for its **2022 - 2024** activities. Through sustainable funding methods Polkascan Foundation aims to become the first ever **Common Good Organization** in the Polkadot Ecosystem.

Since 2016 the foundation's engineers and researchers have been working full-time on technologies that collectively make a generalized open-source block explorer. Since 2018 our engineers and developers have dedicated their cause entirely to the Polkadot Ecosystem by working on an *Open-Source Generalized Substrate Explorer*. Through its work on the *Explorer*, Polkascan Foundation's engineers have been active contributors to the ideation and implementation of key components of Substrate and Polkadot and the foundation is proud to be one of the independent voices in the ecosystem outside of Parity Technologies and Web3 Foundation to steward the vision of Web3.

All of Polkascan Foundation's technology components have been independently architected and engineered from the ground up and have a general-purpose nature by design. I.e. major building blocks that assemble the Polkascan Explorer are usable as stand-alone libraries for broader use by anyone. The foundation's activities have single-handedly bootstrapped the entire '*Python / Substrate*'-ecosystem for *trusted setup* use-cases. And the foundation's most recent engineering deliverables allow bootstrapping of an '*Angular / Typescript / Substrate*'-ecosystem for use cases that utilize both *on-chain data-sources* and *trusted-third-party data-sources*.

In addition to the Polkascan Foundation's technology engineering activities, the foundation has consistently researched and developed novel methods to sustainably fund its activities. The foundation has pioneered by being the first organization in the world to seek funding from *Blockchain Treasuries* through *Social Contracts* and the foundation has contributed to the ecosystem with the idea of an

entirely new governance mechanism that enhances the economic agency of the chain. This mechanism has been fully implemented through the *(Child)Bounty*-pallets in Substrate/Polkadot.

This document proposes a funding mechanism to sustainably fund Polkascan Foundation's entire operation which categorically rules out value misalignment between the audiences the foundation serves on one hand and the products and services it offers on the other hand.

Polkascan Foundation proposes a cost-neutral business model based on subsidies that reimburse actual expenses made by the foundation. Which is, mind you, exactly the model that has been applied by Polkascan Foundation during 2020 and 2021 operation, with the key difference that the foundation aims to plan and hence budget its activities more proactively in support of its mission.

Polkascan Foundation intends to make two requests to Polkadot Governance:

1. The allocation of a 12-month budget of 100.000,00 DOT (~€ 1.600.000,00) for the foundation's 2022 activities by means of the *(Child)Bounty* Treasury Spending Instrument. The budget allows for periodic reimbursement of the foundation's *research, engineering, community support* activities of its open-source repositories and the budget allows for periodic reimbursement of the foundation's *service management* activities of its hosted platform. Future Governance requests are limited to bi-annual budget extensions for subsequent budgeting terms.
2. The approval of a loan of € 800.000,00 (~50.000,00 DOT) through the Treasury Proposal Spending Instrument. This loan will be used by Polkascan Foundation to serve as operating liquidity by maintaining a stable Euro-reserve on its traditional bank account.

With the enactment of these two requests Polkascan Foundation is confident to be able to sustainably fund its entire operation for the foreseeable future. Additionally the foundation is confident that this level of treasury funding allows it to proactively push for a '*regulatory*'- and '*fiscal*'-ruling of '*Treasury Funded*'-organizations within the Netherlands.

Polkascan Foundation has considered a number of avenues as candidate funding sources over the past 6 years. Commercial models (subscription fees or advertisements), venture capital funding, token issuance and these have all been abandoned for various reasons to do with value alignment, incentive alignment and risk appetite of the foundation and its founders. The only remaining path forward is blockchain treasury funding and Polkascan Foundation has proven that this can be a viable model through the foundation's 2020 and 2021 funding. The foundation has mitigated most of the identified operational risks to move forward with a reasonable and balanced funding proposal. Some risk remains, such as foreign exchange risks to be carried by the Polkadot Ecosystem.

Polkascan Foundation has managed to institutionalize its founders' ambitions and ideas to add value to the Polkadot Ecosystem and it is ready for a bright future, willing and capable to continuously contribute to the broader vision of Web3.

Polkascan Foundation humbly asks Polkadot Governance to constructively evaluate and to consider the enactment of the foundation's two requests as one single decision. The foundation's representatives are ready and available to clarify the overall request and any particular points of interest.

Kind regards,

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## 1. Executive Summary

**Polkascan Foundation** frames **Polkadot Network** as an enabler of the **Polkadot Economy** that spawns diversified economic activity through its permissionless and heterogeneous nature. Polkascan Foundation positions itself as the **Bureau of Economic Analysis** of the Polkadot Economy and seeks **Treasury Funding** for its **2022 - 2024** activities. Through sustainable funding methods Polkascan Foundation aims to become the first ever **Common Good Organization** in the Polkadot Ecosystem.

This section specifies two detailed requests to Polkadot Governance which both in effect provide a funding mechanism for Polkascan Foundation and provide an operational liquidity for the foundation.

Polkascan Foundation intends to make two requests to Polkadot Governance:

1. The allocation of a 12-month budget of 100.000,00 DOT (~€ 1.600.000,00) for Polkascan Foundation's 2022 activities by means of the (Child)Bounty Treasury Spending Instrument.
2. The approval of a loan of € 800.000,00 (~50.000,00 DOT) through the Treasury Proposal Spending Instrument to serve as operating liquidity.

With the enactment of these two requests Polkascan Foundation is confident to be able to sustainably fund its entire operation for the foreseeable future. Additionally the foundation is confident that this level of treasury funding allows it to proactively push for a 'regulatory'- and 'fiscal'-ruling of 'Treasury Funded'-organizations within the Netherlands.

A separate document called Polkascan Foundation Business Plan provides detailed justification for enactment of the foundations request and covers topics such as: Organization, Products and Services, Market Analysis, Strategy, Operations and Financial Plan.

The remainder of this document provides detailed documentation of the funding request and processes. This funding request is structured so that each section answers a specific set of questions about the foundation's request. The foundation's representatives are ready and available to clarify the overall request and any particular points of interest.

## 2. Budget Request

### 2.1. Terms of the Budget

The allocation of a 12-month budget of 100.000,00 DOT (~€ 1.600.000,00) for the foundation's 2022 activities by means of the (Child)Bounties Treasury Spending Instrument. The budget allows for periodic reimbursement of the foundation's *research, engineering, community support* activities of its open-source repositories and the budget allows for periodic reimbursement of the foundation's *service management* activities of its hosted platform. Future Governance requests are limited to bi-annual budget extensions for subsequent budgeting terms.

### 2.2. Budget Allocation

Polkascan Foundation will ask Polkadot Governance to allocate the budget by approving a Bounty with the following specifications:

*Extrinsic:* 'bounties':proposeBounty'

*Bounty Title:* '**Polkascan Foundation Budget | Common Good Organization**'

*Bounty Requested Allocation:* **100.000,00 DOT**

*Submitted by:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3Qs2FMF8zx2c8CPTWwLAWfYSEFVS1**

Polkadot Governance has granted the Polkadot Council the authorization to approve a Bounty through means of a Council Motion. Polkascan Foundation therefore asks the Polkadot Council to create a motion to bring the allocation of the bounty to vote.

### 2.3. Assignment of Curator

After allocation of the budget by approval of the Polkadot Council Motion Polkascan Foundation will ask Polkadot Governance to assign a Curator to the budget. This sets in motion a multi-step process to authorize the Curator to make payouts of the budget through the Bounties Governance and ChildBounties Governance. The assignment of the Curator has the following specification:

*Extrinsic:* 'bounties':proposeCurator'

*Bounty ID:* Lookup of '**Polkascan Foundation Budget | Common Good Organization**'

*Curator:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QSS2FMF8zx2c8CPTWwLAWfYSEFVS1**

*Fee:* **0,00 DOT**

*Submitted by:* Any Polkadot Council Member

Polkadot Governance has granted the Polkadot Council the authorization to assign a Curator to Bounties through means of a Council Motion. Polkascan Foundation therefore asks the Polkadot Council to create a motion to bring the assignment of proposed Curator of the bounty to vote.

### 2.4. Acceptance by Curator

After the assignment of the Polkascan Foundation Board Multisig as Curator of the budget, Polkascan Foundation will accept its role as Curator of the budget. This in effect authorizes the Curator to make payouts of the budget through the Bounties Governance and ChildBounties Governance. The assignment of the Curator has the following specification:

*Extrinsic:* 'bounties':acceptCurator'

*Bounty ID:* Lookup of '**Polkascan Foundation Budget | Common Good Organization**'

*Submitted by:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QSS2FMF8zx2c8CPTWwLAWfYSEFVS1**

Acceptance of the Curator authorization by Polkascan Foundation completes the multi-step process to authorize the Curator. This step also fully enacts the budget and authorizations as requested by Polkascan Foundation.

### 2.5. Risks

- A budget is not a reimbursed expense for the treasury. The budget creates an earmarked reservation of Polkadot Treasury total reserves for a particular purpose and timeframe.
- Polkascan Foundation budget and reimbursement process aims to enable a cost-neutral operation for its direct cost. Hence FX-risks will be carried by the Polkadot Treasury.



## 3. Operating Liquidity Request

### 3.1. Terms of the Loan

The approval of a loan of € 800.000,00 (~50.000,00 DOT) through the Treasury Proposal Spending Instrument. This loan will be used by Polkascan Foundation to serve as operating liquidity by maintaining a stable Euro-reserve on its traditional bank account. The loan will have the following specifications and terms:

**1. Principle Balance of the Loan**

The loan will be denominated in EURO-currency for the amount of € 800.000, receivable in DOT-currency for the amount of 50.000 DOT. The principal amount of the loan will be € 800.000.

**2. Duration of the Loan**

The loan will have a span of 3 years (36 months), after which the principal amount is repaid to the Polkadot Treasury.

**3. Interest Payable on the Loan**

1,00% per annum over the principal amount of the loan, payable per month to the Polkadot Treasury.

**4. Subordinated Loan**

The loan will be treated by Polkascan Foundation as a subordinated debt on its balance sheet which ranks after other debts if the foundation were to fall into liquidation or bankruptcy.

**5. Interest-Only Loan**

Polkascan Foundation pays the specified interest for the duration of the loan, with the principal amount unchanged during the loan.

**6. Early Repayment**

Polkascan Foundation is eligible to make (partial) repayments to the Polkadot Treasury of the principal amount of the loan without interest penalties.

### 3.2. Treasury Proposal

Polkascan Foundation will ask Polkadot Governance to approve a Treasury Proposal that covers the operating liquidity with the following specifications:

*Extrinsic:* 'treasury'.proposeSpend'

*Value:* **50.000,00 DOT**

*Beneficiary:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QSS2FMF8zx2c8CPTWwLAWfYSEFVS1**

*Submitted by:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QSS2FMF8zx2c8CPTWwLAWfYSEFVS1**

Polkadot Governance has granted the Polkadot Council the authorization to approve a Treasury Spending Proposal through means of a Council Motion. Polkascan Foundation therefore asks the Polkadot Council to create a motion to bring the payout of the treasury proposal to vote.

Through enactment of the Treasury Proposal and its subsequent payout Polkadot Governance acknowledges and agrees to the terms specified in section 3.1. In effect, enactment of the Treasury Proposal forms a binding agreement between Polkascan Foundation and the Polkadot Treasury and Polkascan Foundation will act accordingly.

### 3.3. Accountability

Polkascan Foundation will make their annual financial reports available to the general public.

## 4. Reimbursements

### 4.1. Periodic Process

The periodic reimbursement process falls within the granted authorization of Polkascan Foundation and relies on the ChildBounties function of Polkadot Governance. This section provides a process description for the periodic reimbursement process. Polkascan Foundation intends to execute the reimbursement process shortly after the end of a calendar month as part of its month-end accounting process.

### 4.2. Adding a ChildBounty

Polkascan Foundation allocates the total amount of the reimbursement by proposing a ChildBounty with the following specifications:

*Extrinsic:* 'childBounties':addChildBounty'

*Parent Bounty ID:* Lookup of '**Polkascan Foundation Budget | Common Good Organization**'

*Value:* **4.125,00 DOT** (example amount)

*Description:* '**Reimbursement 2022-01 (specification uri)**'

*Submitted by:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QSs2FMF8zx2c8CPTWwLAWfYSEFVS1**

### 4.3. Proposing a Curator for the ChildBounty

After allocation of the reimbursement a Curator needs to be assigned to the ChildBounty. In the reimbursement process the Curator of the overall Bounty is the same as the Curator of the ChildBounty. Assignment of the Curator has the following specification:

*Extrinsic:* 'childBounties':proposeCurator'

*Parent Bounty ID:* Lookup of '**Polkascan Foundation Budget | Common Good Organization**'

*ChildBounty ID:* Lookup of '**Reimbursement 2022-01 (specification uri)**'

*Curator:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QSs2FMF8zx2c8CPTWwLAWfYSEFVS1**

*Fee:* **0,00 DOT**

*Submitted by:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QSs2FMF8zx2c8CPTWwLAWfYSEFVS1**

#### 4.4. Acceptance of authorization by the Curator

After the assignment of the Polkascan Foundation Board Multisig as Curator of the ChildBounty, Polkascan Foundation will accept its role as Curator of the ChildBounty. This in effect authorizes the Curator to make payouts of the budget through the ChildBounties Governance. The acceptance step in the assignment of the Curator has the following specification:

*Extrinsic:* 'childBounties':acceptCurator'

*Parent Bounty ID:* Lookup of '**Polkascan Foundation Budget | Common Good Organization**'

*ChildBounty ID:* Lookup of '**Reimbursement 2022-01 (specification uri)**'

*Submitted by:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QsS2FMF8zx2c8CPTWwLAWfYSEFVS1**

Acceptance of the Curator authorization by Polkascan Foundation completes the multi-step process to authorize the Curator. This step allows Polkascan Foundation to move to payout of the reimbursement.

#### 4.5. Awarding the ChildBounty

The payout of the reimbursement is triggered by the Curator of the ChildBounty. Awarding the ChildBounty has the following specification:

*Extrinsic:* 'childBounties':awardChildBounty'

*Parent Bounty ID:* Lookup of '**Polkascan Foundation Budget | Common Good Organization**'

*ChildBounty ID:* Lookup of '**Reimbursement 2022-01 (specification uri)**'

*Beneficiary:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QsS2FMF8zx2c8CPTWwLAWfYSEFVS1**

*Submitted by:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QsS2FMF8zx2c8CPTWwLAWfYSEFVS1**

#### 4.6. Claim the ChildBounty

The awarded payout of the reimbursement needs to be claimed by the Beneficiary of the ChildBounty. Claiming the payout of the ChildBounty has the following specification:

*Extrinsic:* 'childBounties':claimChildBounty'

*Parent Bounty ID:* Lookup of '**Polkascan Foundation Budget | Common Good Organization**'

*ChildBounty ID:* Lookup of '**Reimbursement 2022-01 (specification uri)**'

*Submitted by:* Polkascan Foundation Board Multisig;

**12Vv2LsLCvPKiXdoVGa3QsS2FMF8zx2c8CPTWwLAWfYSEFVS1**

## 4.7. Accountability

Reimbursements will take place based on actual expenses, plus organizational overhead and FX-compensation for previous accounting periods. Appendix A1 and A2 contain detailed examples of reimbursements and their impact on the budget.

## 5. Budget Extension Request

The allocated budget has a budgeting span of 12 months. The operating liquidity is provided by a loan which covers Polkascan Foundation's contracting risks with its creditors for a period of 6 months. On reimbursement of expenses the budget allocation will decrease over time. In order for Polkascan Foundation to have guarantees of reimbursement a bi-annual request will be made to extend the budget with an allocation for the subsequent 6 month budget window. Polkadot Governance will be asked to enact this request.

## Appendices

### A1. Scenario for Reimbursements

Polkascan Foundation will execute a monthly reimbursement to the budget. The reimbursement consists of the following items:

- Engineering expenses based on the realized hours for that month at € 100,00 per hour, excluding VAT.
- IT Services based on the actual cost for that month.
- 21% VAT surplus over the Engineering and IT Services.
- 25% Overhead surplus.
- Foreign Exchange Risk Adjustment (FX Adjustment) for the previous month.

#### Month 1

- Expenses Engineers: 200 hours at € 100 = € 20.000,00
- IT services: € 10.000,00
- ----- +/+
- Total direct cost realized: € 30.000,00
- 21% VAT: € 6.300,00
- ----- +/+
- Total Direct Cost: € 36.300,00
- 25% Overhead: € 9.075,00
- ----- +/+
- **Total reimbursement Month 1: € 45.375,00**
- **Total reimbursement Month 1: 3.025,00 DOT**

The exchange-rate €/DOT will be the rate of the reimbursement date based on public resources, such as CoinMarketCap or GoinGecko. I.e. rate €/DOT = 15,00.

**Month 2**

Received transfer of 3.025,00 DOT got transferred to the Euro-account for Polkascan Foundation at a rate of €/DOT = 16,00. The amount on the bank is realized € 48.000,00 after exchange and transfer cost. This will lead to an adjustment in month 2 for the Euro-difference of € 2.625,00.

- Expenses Engineers: 300 hours at € 100 = € 30.000,00
- IT services: € 10.000,00
- ----- +/+
- Total direct cost realized: € 40.000,00
- 21% VAT: € 8.400,00
- ----- +/+
- Total Direct Cost: € 48.400,00
- 25% Overhead: € 12.100,00
- ----- +/+
- Subtotal reimbursement Month 2: € 60.500,00
- FX adjustment Month 1: € 2.625,00
- ----- -/-
- **Total reimbursement Month 2: € 57.875,00**
- **Total reimbursement Month 1: 3.617,1875 DOT**

The exchange-rate €/DOT will be the rate of the reimbursement date based on public resources, such as CoinMarketCap or GoinGecko. I.e. rate €/DOT = 16,00.

## A2. Scenario for Financial Report

The monthly (example) reimbursements as specified in appendix A1, can be set out in time and versus the budget in the tables below

	Month 1	Month 2	Month 3	Realized Q1	Budget Q1	Delta
<b>Direct Cost</b>						
Engineering	€ 20.000	€ 30.000	€ 40.000	€ 90.000	€ 192.000	€ 102.000
IT Service	€ 10.000	€ 10.000	€ 12.000	€ 32.000	€ 75.000	€ 43.000
VAT (21%)	€ 6.300	€ 8.400	€ 10.920	€ 25.620	€ 56.070	€ 30.450
<b>Total Direct cost</b>	<b>€ 36.300</b>	<b>€ 48.400</b>	<b>€ 62.920</b>	<b>€ 147.620</b>	<b>€ 323.070</b>	<b>€ 175.450</b>
<b>Overhead (25%)</b>						
	€ 9.075	€ 12.100	€ 15.730	€ 36.905	€ 80.768	<b>€ 43.863</b>
FX adjustment		€ -2.625	€ 2.500	€ -125	€ -	
<b>Total</b>	<b>€ 45.375</b>	<b>€ 57.875</b>	<b>€ 81.150</b>	<b>€ 184.400</b>	<b>€ 403.838</b>	<b>€ 219.438</b>

Quarter 1 shows a positive delta, where budget is sufficient for the quarter.

	Month 4	Month 5	Month 6	Realized Q2	Budget Q2	Delta
<b>Direct Cost</b>						
Engineering	€ 70.000	€ 90.000	€ 80.000	€ 240.000	€ 192.000	€ -48.000
IT Service	€ 20.000	€ 30.000	€ 30.000	€ 80.000	€ 75.000	€ -5.000
VAT (21%)	€ 18.900	€ 25.200	€ 23.100	€ 67.200	€ 56.070	€ -11.130
<b>Total Direct cost</b>	<b>€ 108.900</b>	<b>€ 145.200</b>	<b>€ 133.100</b>	<b>€ 387.200</b>	<b>€ 323.070</b>	<b>€ -64.130</b>
<b>Overhead (25%)</b>						
	€ 27.225	€ 36.300	€ 33.275	€ 96.800	€ 80.768	€ -16.033
FX adjustment	€ -5.500	€ 3.400	€ -3.000	€ -5.100	€ -	
<b>Total</b>	<b>€ 130.625</b>	<b>€ 184.900</b>	<b>€ 163.375</b>	<b>€ 478.900</b>	<b>€ 403.838</b>	<b>€ -75.063</b>

Quarter 2 shows a negative delta, where budget is insufficient for the quarter.



	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total 2022	Budget 2022	Delta
<b>Direct Cost</b>							
Engineering	€ 90.000	€ 240.000	€ 200.000	€ 220.000	€ 750.000	€ 768.000	€ 18.000
IT Service	€ 32.000	€ 80.000	€ 70.000	€ 70.000	€ 252.000	€ 300.000	€ 48.000
VAT (21%)	€ 25.620	€ 67.200	€ 56.700	€ 60.900	€ 210.420	€ 224.280	€ 13.860
<b>Total Direct cost</b>	<b>€ 147.620</b>	<b>€ 387.200</b>	<b>€ 326.700</b>	<b>€ 350.900</b>	<b>€ 1.212.420</b>	<b>€ 1.292.280</b>	<b>€ 79.860</b>
Overhead (25%)	€ 36.905	€ 96.800	€ 81.675	€ 87.725	€ 303.105	€ 323.070	€ 19.965
FX adjustment	€ -125	€ -5.100	€ 6.000	€ -3.000	€ -2.225	€ -	€ 2.225
<b>Total</b>	<b>€ 184.400</b>	<b>€ 478.900</b>	<b>€ 414.375</b>	<b>€ 435.625</b>	<b>€ 1.513.300</b>	<b>€ 1.615.350</b>	<b>€ 102.050</b>

The year as a whole shows positive and negatives for delta, but the overall budget is sufficient.