

# Year Finance Quarterly Report



FOR THE PERIOD AUG-20 TO OCT-20

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*Net income for the three months ending Oct-20 was ~3.8m, with the majority of revenue attributable to the yVault product offering.*

**Unaudited Income Statement**

<b>\$ in thousands</b>	<b>Aug-20</b>	<b>Sep-20</b>	<b>Oct-20</b>	<b>Aug to Oct-20</b>
<b>Revenue</b>				
yVault	1,063	1,990	1,090	4,143
yPool	121	-	-	121
Other miscellaneous revenue	21	69	-	90
<b>Total revenue</b>	<b>1,205</b>	<b>2,059</b>	<b>1,090</b>	<b>4,354</b>
Cost of revenue	115	94	4	212
<b>Gross profit</b>	<b>1,090</b>	<b>1,965</b>	<b>1,086</b>	<b>4,141</b>
<b>Operating expenses</b>				
Administrative salaries	-	67	106	173
Security	-	20	63	82
Grants	-	15	28	43
Other operating expenses	-	8	-	8
<b>Total operating expenses</b>	<b>-</b>	<b>110</b>	<b>197</b>	<b>306</b>
<b>Net operating profit</b>	<b>1,090</b>	<b>1,856</b>	<b>889</b>	<b>3,835</b>
<b>Other income/(expenses)</b>				
Interest income/(expense)	-	-	-	-
Unrealized capital gain/(loss)	71	(45)	(69)	(44)
<b>Total other income/(expenses)</b>	<b>71</b>	<b>(45)</b>	<b>(69)</b>	<b>(44)</b>
<b>Net income</b>	<b>1,161</b>	<b>1,811</b>	<b>820</b>	<b>3,791</b>
<b>Paid to Governance Stakers</b>	<b>356</b>	<b>1,312</b>	<b>798</b>	<b>2,467</b>

*Note: The income statement has not undergone a comprehensive financial statement audit.*

- Over 95% of total revenue is derived from the yVault product offering, and as a result it represents the core component of the ecosystem.
- Other miscellaneous revenue consists of BAL (\$21k) and UNI (\$69k) airdrops valued at the fair market value (FMV) on the date received.
- Cost of revenue consists of gas costs used to deploy contracts and call functions for yVaults, such as the harvest function. Cost of revenue was elevated in August relative to September and October due to an increased amount of smart contract deployments and high gwei costs on the Ethereum blockchain.
- The majority of operating expenses are comprised of administrative salaries and security, approximately 56% and 27%, respectively.
- Yearn on occasion receives other assets (YFI, WETH) as revenue from operating certain yVaults (yYFI, yWETH). These assets are recorded as revenue based on the fair market value at the date received. At month end, these assets are adjusted to FMV, therefore unrealized gains/(losses) related to these assets are recorded on the income statement.

*Approximately 68% of the yVault revenue is derived from the yUSD vault, which also generates most of Yearn's total revenue.*

**yVault**

<b>\$ in thousands</b>	<b>Aug-20</b>	<b>Sep-20</b>	<b>Oct-20</b>	<b>Aug-20 to Oct-20</b>
yUSD	853	1,241	747	2,841
WETH	-	455	90	545
crvRenWSBTC	12	82	89	183
bCRV	0	51	50	101
YFI	167	14	41	222
USDC	15	86	31	132
USDT	6	60	29	95
3Crv	-	-	12	12
DAI	4	0	-	5
aLINK	4	2	-	7
<b>Total yVault revenue</b>	<b>1,063</b>	<b>1,990</b>	<b>1,090</b>	<b>4,143</b>
<i>As a % of total revenue</i>	<i>88%</i>	<i>97%</i>	<i>100%</i>	<i>95%</i>

- Overall yVault revenue increased in Sep-20 in conjunction with the yield-farming craze that consumed much of decentralized finance (DeFi) on the Ethereum blockchain. Yearn experienced a large decrease in revenue, as this hype subsided in Oct-20.
- The yWETH vault was introduced in Sep-20 and generated a material amount of revenue for that month. This vault was quickly halted to mitigate excess risk to depositors. A new version will be deployed in the upcoming 2.0 release of Yearn's yVaults.
- Several additional yVaults (crvRENWSBTC, bCRV, 3Crv) that utilize Curve.fi pools also contributed measurable amounts of revenue.
- The majority of revenue from yVaults was generated from withdrawal fees from depositors. However, yVaults will implement a new fee structure (2% AUM / 20% performance fee) for upcoming 2.0 yVaults.

# Over 80% of operating expenses were due to security costs and administrative salaries necessary to support and maintain the protocol.

## Security

\$ in thousands	Description	Aug-20	Sep-20	Oct-20	Aug-20 to Oct-20
Mixbytes	Smart contract audit	-	20	-	20
Bug bounties		-	-	63	63
<b>Total Security expense</b>		-	<b>20</b>	<b>63</b>	<b>82</b>

## Salaries

\$ in thousands	Role	Aug-20	Sep-20	Oct-20	Aug to Oct-20
Artem	Operations	-	9	15	24
orxball	Protocol	-	-	21	21
Tracheopteryx	Operations	-	9	9	18
Klim	Operations	-	9	9	18
Doggie	Protocol	-	9	9	18
Franklin	Operations/Communications	-	8	8	16
x48	Protocol	-	3	9	13
Luciano	Operations	-	-	9	9
Doug	Protocol	-	-	9	9
Kirby	Communications	-	8	-	8
Dark Ghosty	Communications	-	3	3	7
Facu	Communications	-	3	3	7
Gismar	Communications	-	3	-	3
<b>Total salaries</b>		-	<b>67</b>	<b>106</b>	<b>173</b>

- Mixbytes was engaged to conduct a smart contract audit of yInsure and certain yVault strategies.
- Additional audit expenses are expected to be incurred in the future in preparation for the 2.0 yVaults launch and other planned product offerings.
- Several bug bounties were paid in Oct-20, the majority was \$58k paid to Samczsun.
- The administrative team expanded in Oct-20, and Artem received a raise to \$14.5k in Oct-20.
- Kirby and Gismar ceased receiving compensation after Sep-20.
- Administrative salaries are paid in yUSD, which is converted to USD in the table on the left.

*Grants are awarded to various contributors in the Yearn ecosystem and are evaluated on a month-to-month basis.*

Grants					
\$ in thousands	Description	Aug-20	Sep-20	Oct-20	Aug to Oct-20
<b>Development grants</b>					
Graham	Feel-the-yearn	-	3	-	3
Dennison Bertram	The Graph	-	0.5	-	0.5
Fabien	Snapshot	-	-	1	1
Tom French	Gnosis integration	-	-	1	1
<b>Development grants total</b>		-	4	2	6
<b>Legal &amp; DAO grants</b>					
Substreight	Potential YFI Emissions YIP	-	3	-	3
Devops199fan	Developer assistance	-	3	-	3
<b>Legal &amp; DAO grants total</b>		-	7	-	7
<b>Community grants</b>					
Danielj	Discord bots master	-	-	3	3
Vany 365	Manages the discord	-	-	3	3
Lehnberg	Operations	-	-	3	3
WrongNebula	Memes, design, brand	-	-	3	3
Nomad	Weekly governance roundup	-	-	2	2
Dudesahn	State of the Vault	-	-	2	2
Bob The Builder	YFI Stats & financial assistance	-	-	2	2
iTO	Designer	-	1	-	1
Definn	Infographics	-	1	-	1
Budyart00	Photoshop guru	-	1	-	1
Matt bridges	Administrative assistance	-	-	1	1
CryptoOGKauia	Reddit Mod	-	-	1	1
Gabriel Haines	Youtube videos	-	-	1	1
Pplpleaser	Video memes	-	-	1	1
CL	Waifu pics	-	0.3	-	0.3
FugginNoob	Designer	-	0.2	-	0.2
Lux	Administrative assistance	-	0.1	-	0.1
<b>Community grants total</b>		-	4	26	30
<b>Total Grants expense</b>		-	15	28	43

- Various contributors received one-time grants for assistance with design, branding, UI/UX, and community outreach.
- These grants are nominated by members of the administrative team and approved by the multi-sig. Grants are evaluated on a month-to-month basis and awarded to contributors for their work.
- The majority of grants are related to design costs or community outreach activities related to Yearn's discord, telegram, reddit, and newsletters.

*Yearn owns several marketable assets valued at approximately \$581k at Oct-20 month end, and has no liabilities.*

**Unaudited Balance Sheet**

<b>\$ in thousands</b>	<b>Aug-20</b>	<b>Sep-20</b>	<b>Oct-20</b>
<b>Assets</b>			
Cash and cash equivalents	-	-	-
Marketable assets	123	519	581
ETH	-	358	475
YFI	123	103	74
UNI	-	59	32
<b>Total current assets</b>	<b>123</b>	<b>519</b>	<b>581</b>
Other intangible assets	-	-	-
<b>Total long term assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>123</b>	<b>519</b>	<b>581</b>
<b>Liabilities</b>			
Accounts payable	-	-	-
Other liabilities	-	-	-
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long term liabilities	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Protocol equity	123	519	581
<b>Total liabilities and equity</b>	<b>123</b>	<b>519</b>	<b>581</b>

- Yearn holds YFI and ETH related to revenue earned from these respective yVaults. These assets are adjusted to fair market value month-end based on their closing prices.
- UNI was donated by a Yearn contributor to cover operational expenses. As such, it is not eligible to be distributed to YFI stakeholders.
- Yearn has no accrued liabilities or accounts payable, as administrative salaries and grants are paid when incurred monthly.

*Note: The balance sheet above has not undergone a comprehensive financial statement audit.*

# Sources

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- Revenue data was obtained from token transfers between several addresses controlled by the Yearn protocol. These Ethereum addresses are listed below.
  - Treasury vault: 0x93a62da5a14c80f265dabc077fcee437b1a0efde
  - Multi-sig: 0xfeb4acf3df3cdea7399794d0869ef76a6efaff52
  - Governance staking: 0xba37b002abafdd8e89a1995da52740bbc013d992
- Expenses were obtained from the yChad audit reports. These reports are available on Yearn's GitHub, and are published monthly.
  - <https://github.com/iearn-finance/y Chad-audit/tree/master/reports/financial>