

The Metaverse: A Primer for the Nonprofit Sector

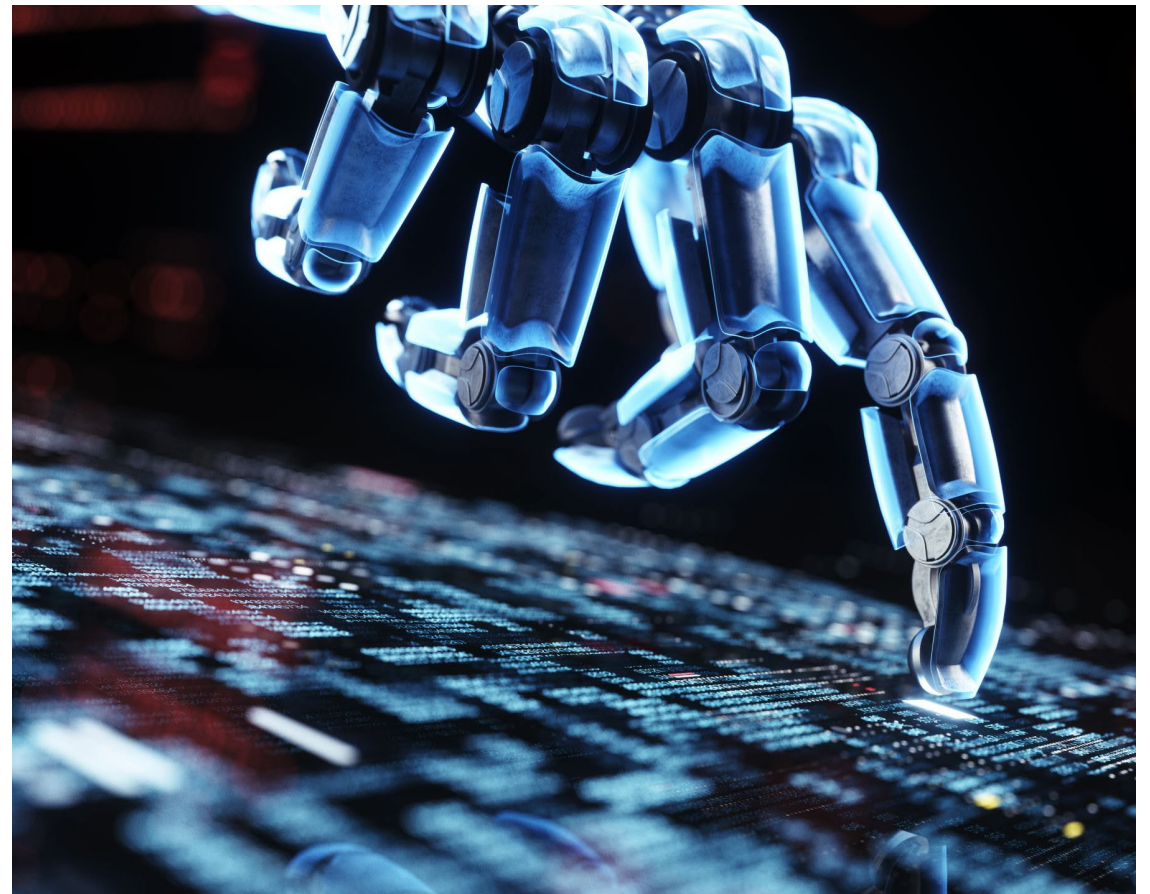
Presented by

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Introductions



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Potential applications for nonprofits

Educational
Programming

•Trade Shows

•Member/Boar
d Meetings

•Theater
Performances

•Gallery
Exhibits

•Fundraising
(NFTs)

Poll #1 Is your organization active in the Metaverse?

- Yes
- No
- Planned for future

Metaverse: The Basics

The Metaverse is...

The immersive Internet.

An e-commerce
platform.

Augmented reality. Not
virtual reality.

Blending physical and
digital spaces.



The Metaverse...

Doesn't
exist yet.

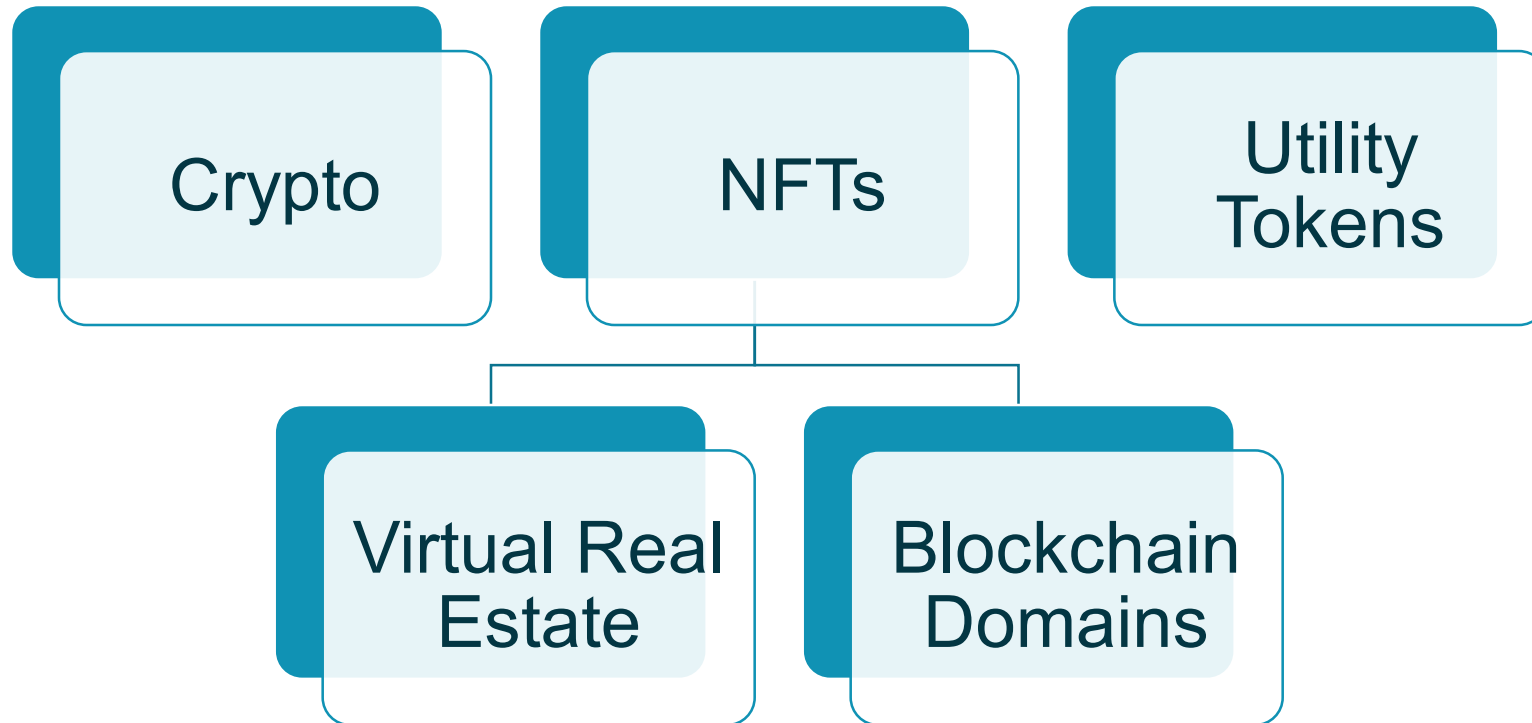
But it's getting
closer...

Key Terms and Concepts

- **Blockchain:** A blockchain is a digital ledger. Think of a blockchain as an operating system like iOS or Android. Third party developers can build applications for a blockchain, just like they can build apps for iPhone or Android. Chains can be public or private. Transactions are recorded chronologically, encrypted, and distributed.
- **Decentralized App (“Dapp”):** An app that runs on a blockchain.
- **NFTs:** Unique strings of software code stored on a blockchain.
- **Smart Contracts:** The software code that determines the features and characteristics of NFTs and Dapps.
- **Decentralized Autonomous Organization (“DAO”):** Entities or organizations that run blockchains and Dapps.

A Disclaimer (of course!): these are not strict definitions

New Digital Assets

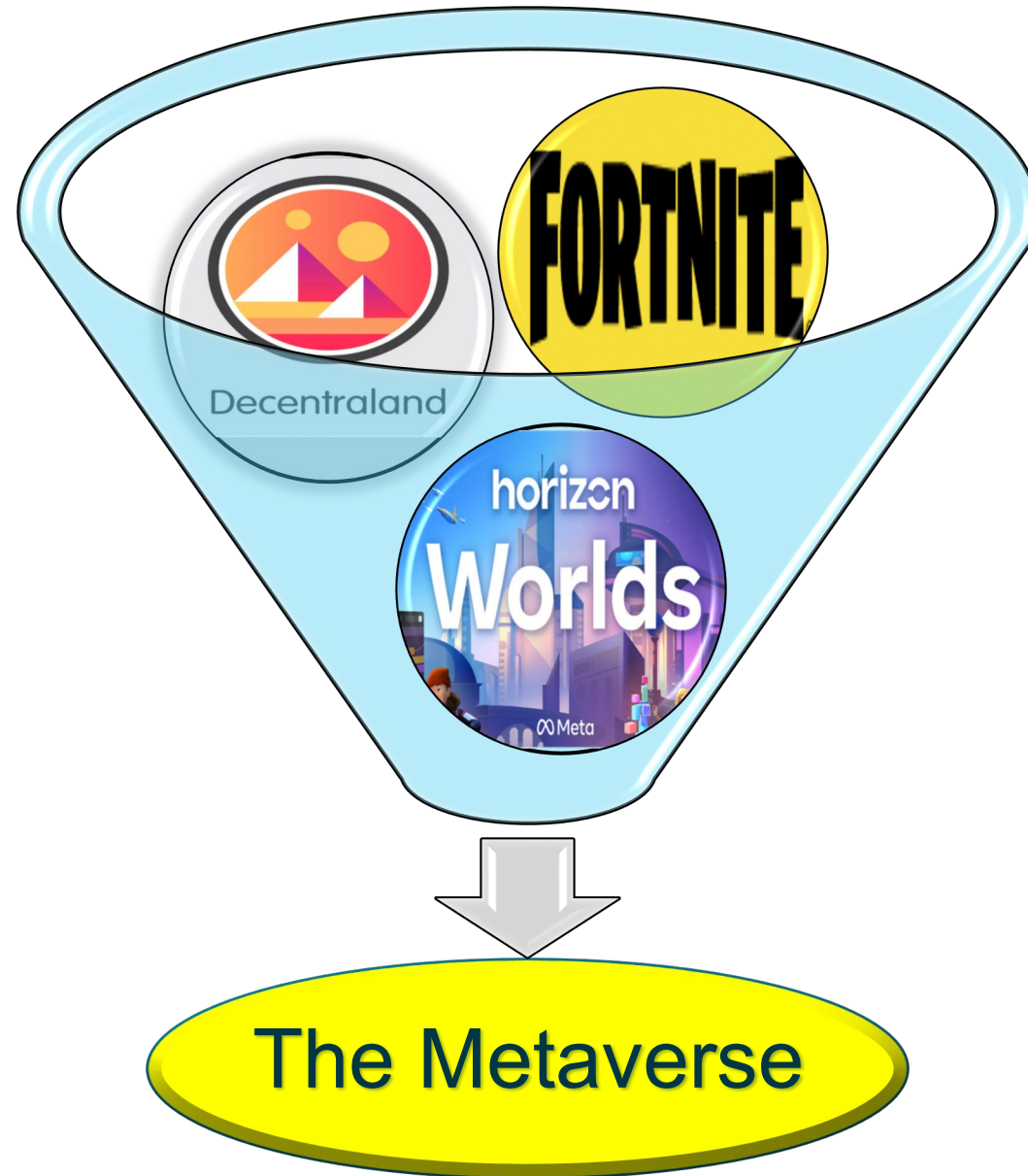


Poll #2 Has your organization invested in cryptocurrency or adopted it as a form of payment or donations?

- Yes
- No
- Planned for future

Metaverse Platforms

- When we talk about metaverse, we are referring to specific platforms: Decentraland; Sandbox; Fortnite; Horizon Worlds; etc.
- They come in two general varieties: on-chain (Web3) and off-chain (Web2)
- One day, the platforms may be interoperable, but not yet.



On-Chain Metaverse Platforms

- Environments built on a blockchain
 - Examples: Decentraland; Sandbox; Zepeto; Somnium Space
- Decentralized, unscripted, and player-owned and controlled
 - In contrast, off-chain experiences are for the most part scripted and controlled by the game developer.
- **“True ownership” of digital assets**
 - Transactions recorded on blockchain, greater control over IP for participants

On-Chain	Off-Chain
 Decentraland	
 THE SANDBOX	
 ZEPETO	
 SOMNIUM SPACE	

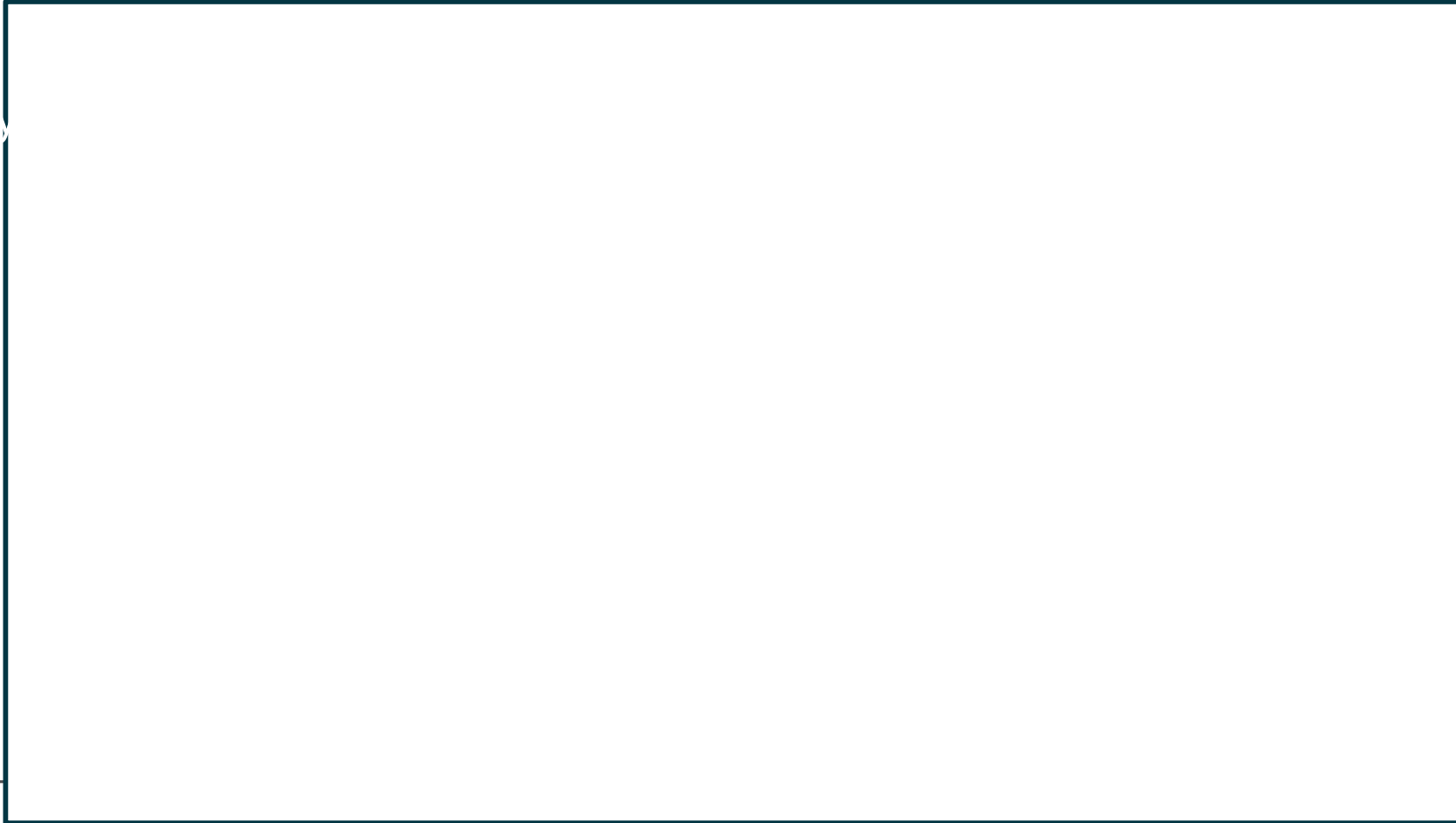
Poll #3 Have you created an avatar on a Metaverse platform?

- Yes
- No
- Planned for future

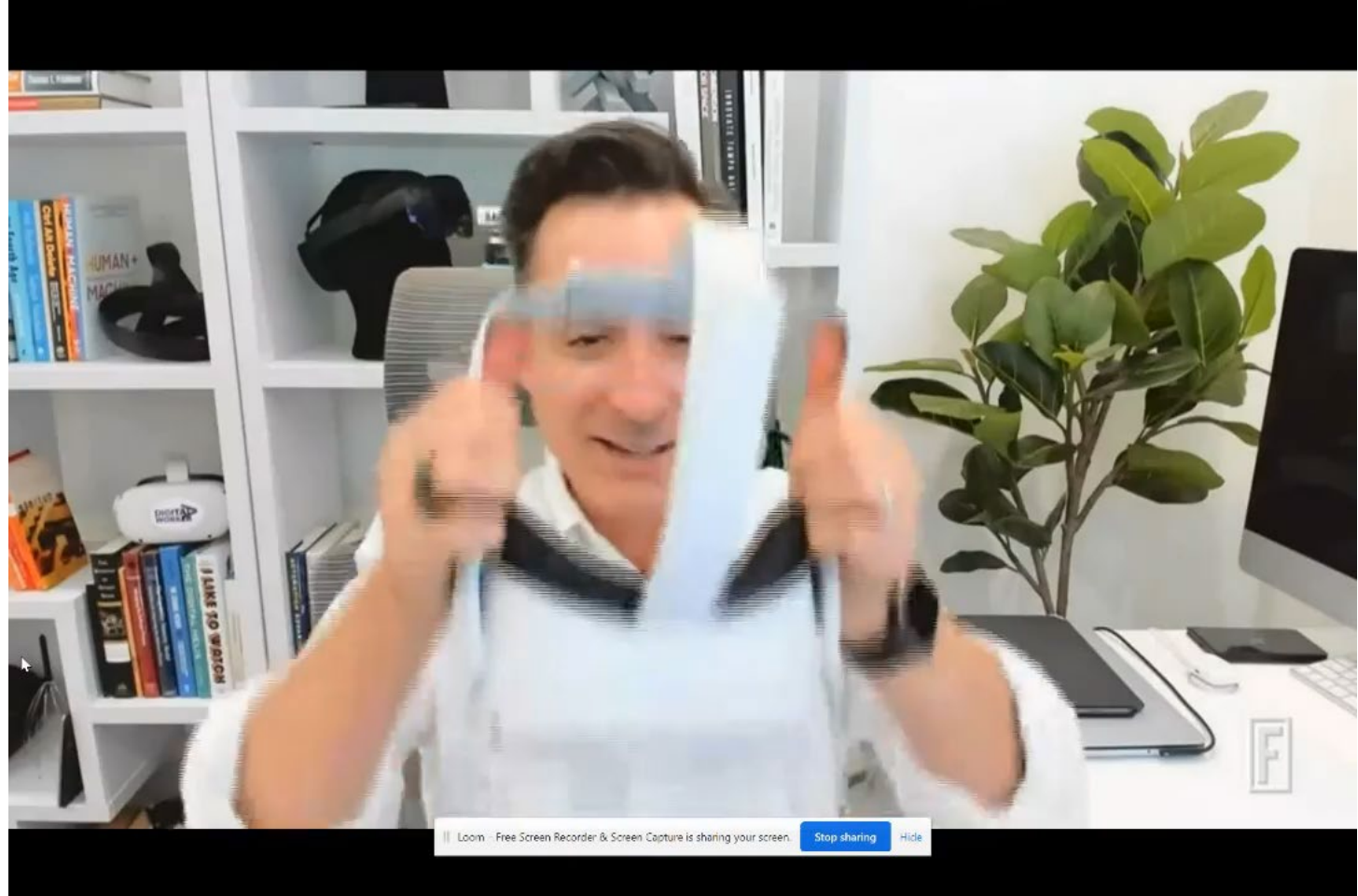
The “immersive Internet”



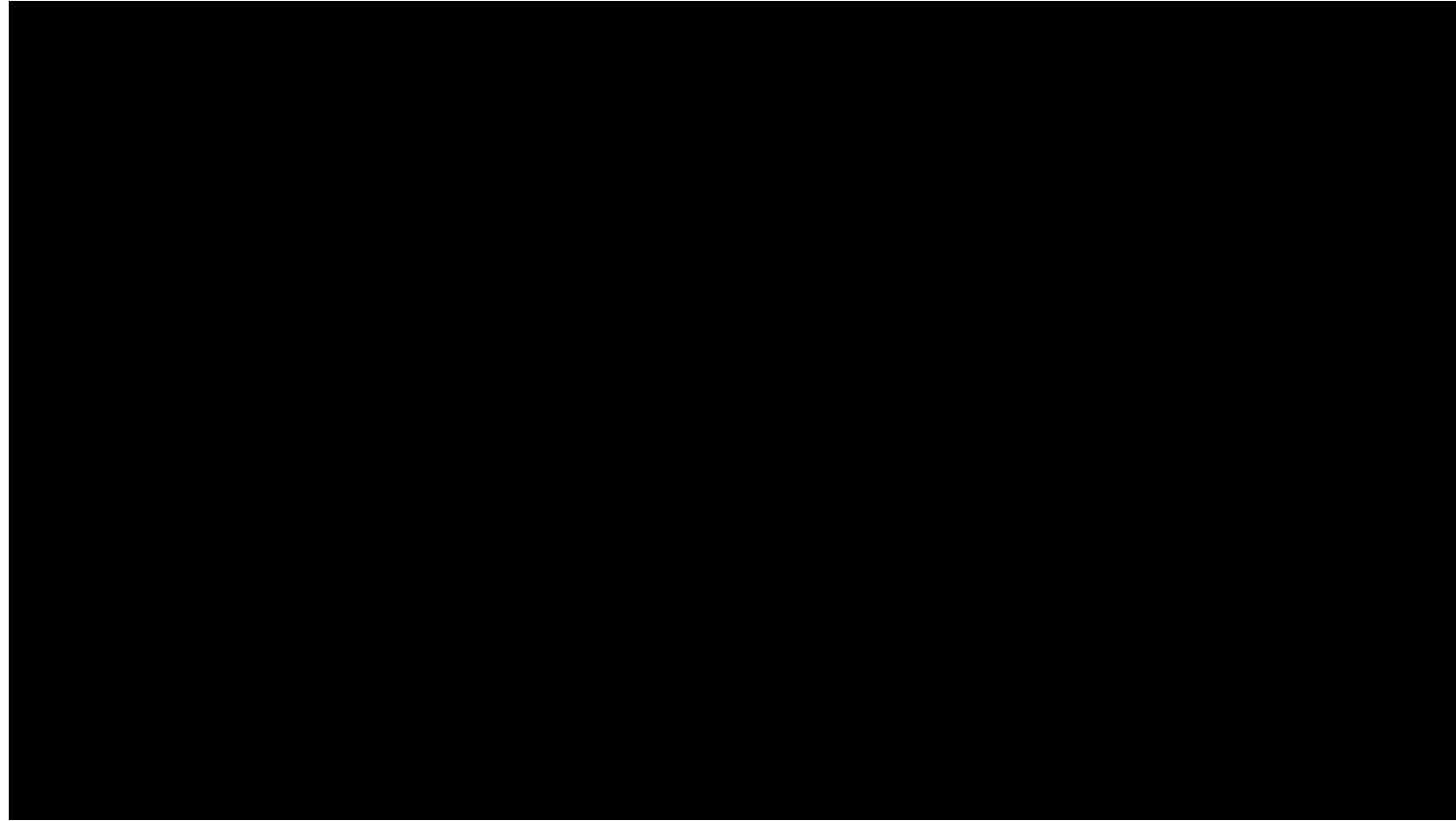
Colleges and Universities



Onboarding



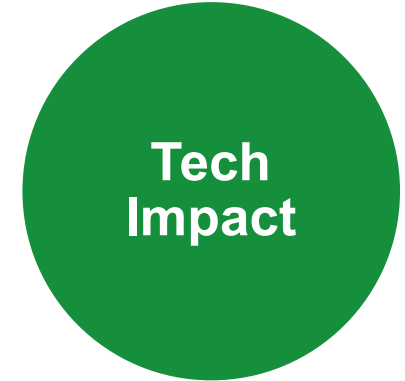
ArentFox Schiff Metaverse Office



Metaverse Financial, Technological, and Legal Considerations

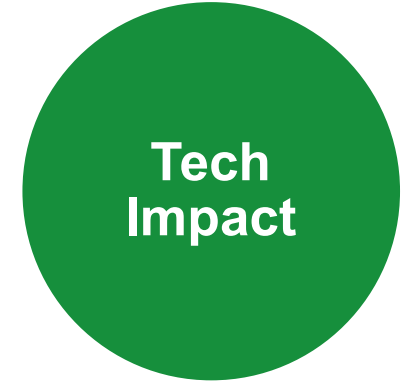
Fundraising

- Third party payment services providers make it easy to accept cryptocurrencies as one of several payment methods.
- KYC/AML compliance: some (not all!) platforms allow consumers to send and receive cryptocurrency without KYC diligence.
- Jurisdictional considerations: where are you soliciting donations?
 - Many metaverse platforms are off-shore
 - “Nodes” (servers) may be anywhere



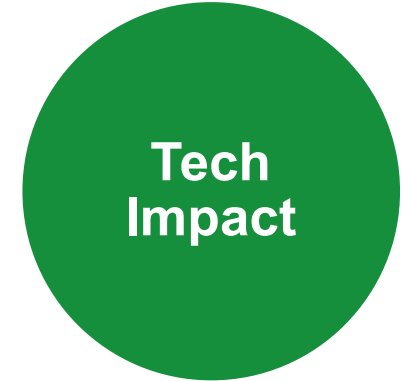
Asset Valuation

- Highly volatile market
- Pros and Cons of Public Blockchains:
 - Transaction data is accessible but not always reliable
 - Wash trading: when someone sells a digital asset to themselves to create an illusion of demand.
 - Despite being public, data can be difficult to retrieve and analyze
- Some large transactions for digital assets occurring “off-chain”



Financial Reporting

- Crypto must be impaired when the value drops, but impairment charge cannot be reversed when values rise.
- Every time crypto is liquidated (either converted to fiat, or used to pay a vendor), a capital gain or loss is recorded (depending on the basis of crypto liquidated).
- Crypto assets cannot be amortized.
- The Form 8300 requirement (reporting of cash receipts over \$10k) does not currently apply to crypto, but will begin Jan 1, 2024.
- Accounting for the purchase of property within the Metaverse and the costs to develop the software



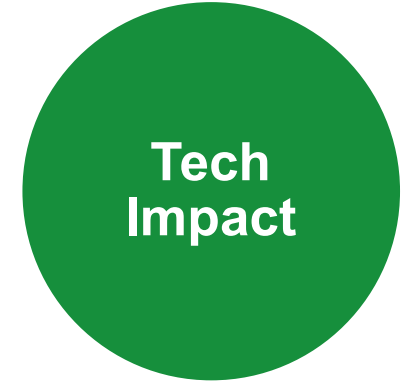
Custody of Digital Assets

- Need for enhanced access control and security protocols.
- Elevated risk of total loss.
- Special training required for cold/hot wallet management.
- Custodial platforms a potential solution.



Decentralized Autonomous Organizations (DAOs)

- Blockchain-native organization
- Collectively managed and owned by token holders
- Decisions made via group vote on proposals
- Governance (voting) and treasure (spending) protocols are controlled by smart contracts
- Fully transparent and decentralized (if structured correctly).
- ***Treasury management***

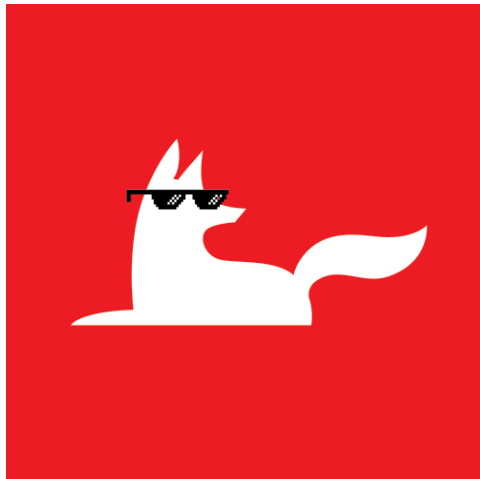


Poll #4 Have you encountered any impacts from the Metaverse on your organization's/client's operations?

- Yes
- No



Questions?



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