



WEB3: VITAL FOR NONPROFITS IN BUILDING TRUST

How Sky's the Limit Developed
the Impact DAO

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Executive Summary

THE OPPORTUNITY GAP IN EARLY STAGE FINANCING

Over half of young adults want to start a business, but lack the opportunity to do so.

Entrepreneurs have 3x the net worth of those who do not start a business; for black women, it's 12x the net worth. However, millions of underrepresented entrepreneurs who want to build businesses are held back because of a lack of access to capital.

Initial capital requirements are relatively modest (approximately a third of small businesses get started with less than \$5,000) and the most common source of funds are bank loans, personal savings, and / or money from friends and family.

However, these avenues are out of reach of many of the people that entrepreneurship could benefit the most.

Sky's the Limit was founded in 2010 and, since then, has given its [friends and family grants](#) to underrepresented entrepreneurs, using a grassroots voting mechanism across a community of over 45,000 people from across the US and 12 other countries. 68% of STL entrepreneurs are women, 80% are persons of color, 85% are in their twenties, and over 80% are low-income when they join.

General lack of trust in nonprofits (driven largely by a historical lack of transparency in fund disbursement) has held STL back from being able to scale this impact.

THE DAO OPPORTUNITY

Humanity's story is one of cooperation – this ability to cooperate is what allowed our species to grow across the globe and build wonders.

The Decentralized Autonomous Organization (“DAO”) is a blockchain-based technology that was conceived to bring about the next evolution in human cooperation.

The transparency, auditability, and security of the blockchain eliminates the need for trust between people who are coordinating actions such as a nonprofit donation. Using web3 - a catch-all term to describe applications built on the blockchain - people can verify exactly what

will happen when they interact with each other.

For Sky's the Limit, this transparency will reduce barriers to donation, open new sources of funds, and enable us to impact far more lives.

By transitioning to a DAO model, Sky's the Limit can scale faster and with lower operational expenses than its current platform will allow.

SKY'S THE LIMIT

A DAO is the natural evolution of Sky's the Limit's existing community and platform.

The two-sided marketplace that Sky's the Limit enshrined many of the core philosophies of DAOs, long before DAOs and DAO technology were at the stage of development that they are at today.

Decentralized decision making is at the heart of DAOs. Sky's the Limit has always believed communities should have a direct voice in how to allocate resources and make key decisions. Grants in the existing platform are already allocated purely on the basis of community votes.

The number of votes each community member can allocate is determined by their contribution to the community. Sky's the Limit's framework for the accrual of social capital has been refined since its inception and is being translated into the DAO's Sky's the Limit XP (SXP) token. This application of blockchain technology has the potential to change the social economics of philanthropy (see "Full DAO Vision" section, below).

Sky's the Limit has the right team to execute.

Our team and community includes early blockchain entrepreneurs and engineers, including: Nic Cary, Sky's the Limit's Co-founder and Chairman and the Co-founder and President of Blockchain.com; and Matt Tuzzolo, Sky's the Limit-UK's board member and the CTO of Blockchain.com.

Sky's the Limit is also advised by Erik Voorhees, one of the earliest and most successful entrepreneurs in this space, most recently the Founder and CEO of Shapeshift, a leading cryptocurrency exchange that is the largest implementation to-date of a centralized company transforming into a DAO.

Sky's The Limit DAO: Beta Launch

OVERVIEW

Sky's the Limit conducted a beta launch of the DAO in the Fall of 2022.

During this time, the DAO ran weekly Grants Rounds to disburse \$2,500 each week to the underrepresented entrepreneur whose startup pitch received the most votes that week.

Are you a founder who wants to join our grants round? Sign up to join Sky's the Limit [here](#)!

Sky's the Limit used the three-month beta launch as a controlled experiment to gather data and validate / invalidate hypotheses.

We used pre-built blockchain technology tools to run this beta DAO.

STRUCTURE & TOOLING

Blockchain

Of any public blockchain with smart contract functionality, Ethereum has the largest community. We choose to build our beta here because it is currently the easiest place for the most people to join this web3 philanthropy experiment.

While Ethereum gives us the required scale and flexibility to execute our mission, there are many other public blockchain ecosystems being built that could serve our mission in the future. We will be exploring these options in the future.

Blockchain Wallet

A blockchain wallet is a unique digital identity that allows users to manage their tokens and engage with web3 applications. A wallet is used to sign into different websites without remembering passwords or sharing your personal data with the website. This new user-centric approach gives users the power to own their data.

We wanted users to have the least amount of friction for participation in the DAO, so we are recommending the most widely used wallet: Metamask. One of the oldest projects in web3,

Metamask will enable STL DAO members to complete bounties, receive STL XP tokens, and use the tokens to vote for proposals. Many other providers can be used, but if you are just starting in web3, Metamask is the way to go.

Fund Disbursement

All transactions on ethereum blockchain are public, therefore, disbursing grant funds on the blockchain enables transparent, immutable data with the potential for real time auditing of where money goes. This is an important first step towards increasing donors' trust in our organization.

To increase the security of such a disbursement we have implemented a Safe multi-signature treasury, which requires the majority of the signatories to approve the transaction with their blockchain wallet before the money can be disbursed. This means that even if one of the accounts gets hacked, the treasury is secure.

Transaction settlement on blockchain is near real-time. This means that underrepresented entrepreneurs receive their grant in seconds, no matter where they are in the world. Many recipients are unbanked or under-banked and otherwise have to wait for pre-loaded debit cards to arrive through the mail.

Tokenomics

DAO participants will receive STL XP (SXP) tokens for performing actions that benefit the community.

Initially, tokens will be awarded for:

- Joining the DAO
- Voting on Grants Rounds
- Completing operational tasks that enable the DAO to function
- Making donations to Sky's the Limit

SXP Tokens can be claimed by completing a task on a Wonderverse bounty board (to demonstrate completion of actions) or by making a donation to Sky's the Limit.

*Do you want to be one of the first people in the world to join our beta launch DAO?
Make a crypto donation to Sky's the Limit [here](#).*

This process will help us determine which behaviors happen organically and which need to be incentivized – and help us right-size the incentives. The knowledge we acquire will help us chart the best path to maximize community engagement and contribution.

Voting

Entrepreneur pitch proposals are posted to Snapshot each week to be voted on by the community.

Snapshot verifies the identity of DAO participants through their Metamask wallet and validates that they have the tokens needed to vote. Snapshot records the votes on the blockchain for transparency and immutability. Voters' crypto wallets will forever contain the social proof that they acted philanthropically in STL DAO.

Communication

The Sky's the Limit DAO community socializes and coordinates in a Discord server [[join here](#)]. Discord is the preferred social media platform for most web3 communities.

Community members can post proposals for improvements to the DAO processes and Grants Rounds administration on a Discourse forum [[check it out!](#)]. We are following the lead of other great DAO communities in hosting our forum on Discourse.

The community is available to help new users with onboarding, posting their proposals, getting Metamask wallets set up, and receiving STL XP tokens to their wallet.

On-Chain Data

By recording actions on a public blockchain rather than a private company database, Sky's the Limit takes an important step towards users controlling their data.

When Sky's the Limit DAO members act to advance our mission (e.g. donating or helping an entrepreneur), their action will be recorded on the public blockchain. As such, participating in Sky's the Limit DAO will enable users to build their web3 resumé with verified skills and actions recorded in their Metamask wallet.

When users choose to share their blockchain data, third parties can offer rewards and benefits to members based on their specific actions in STL DAO. For example, Forta (a blockchain security company) surprised web3 users who control DAO treasuries by sending valuable FORT governance tokens to their wallets. These web3 users received Forta's reward without needing to do anything to seek it out.

For the users who don't want their data to be publicly available, they can use ZK Proof blockchain technology to decide if and when to allow third party companies to access their data.

The Full DAO Vision

OVERVIEW

The beta launch was an important first step.

But Sky's the Limit's full DAO vision is to change the model of philanthropy, unlock new sources of capital, and build coordination tools that allow us to progress beyond what we can imagine today. It's about building a fundamentally better game.

Over the course of the beta launch, and with the support of our community and donors, we will explore the most impactful things we can do in a DAO.

Here are a few ideas we have as we begin that journey. We invite you to dream with us!

BUILDING AN INFINITE GAME

Business, particularly for underserved founders, is largely played as though it is a finite game. There are winners and there are losers. We generally accept that it's somehow a zero sum game and our "job" is to "win".

But when business "wins" by creating more innovation and success, the better it is for everyone. This means that business is actually an infinite game. Instead of a fixed number of known participants and a finish line type of outcome, you have the potential for new players to enter. The rules can adapt and change. The goal is to continue the game and play as well as you can, not to cross a finish line.

Blockchain technology lays a foundation for playing the infinite game because it enables trustless interactions and therefore promotes cooperation. This will lead to innovations that we can barely imagine today.

Donors

Because STL DAO donations are written immutably on the ethereum blockchain, others can give back to donors in the future with economic, social, and other types of benefits.

A subset of people who don't currently donate may be motivated by the potential future value of their actions. For example, after Optimism used Gitcoin donation activity to inform the initial distribution of their OP governance token, and over 24,000 Gitcoin users woke up to significant financial value automatically added to their crypto wallet, a swarm of people began donating to Gitcoin in hopes that future organizations may follow suit.

Sky's the Limit can galvanize this previously untapped population of would-be-donors because of the expected future value of their donations. This opens a world of possibilities not yet explored in philanthropy.

Today, if someone donates enough money to an organization, that organization could invite them to an exclusive event at the end of the year because they have a record in their internal database of the donor and their gift. It is not likely that they would spend the time and resources to partner with another organization to offer more rewards to their donors.

The public blockchain creates the opportunity for someone who donates money to Sky's the Limit in 2022 to be offered benefits from many other organizations for the rest of their lives. Any organization that wants to promote entrepreneurship, mentorship, or philanthropy could find like-minded people who engaged with Sky's the Limit DAO recorded on the blockchain. These unofficial partnerships can self-organize, requiring almost no overhead from Sky's the Limit staff.

Founders

Web3 technology empowers communities to stay connected not only on an infinite time scale, but also across all web3 platforms. If an entrepreneur was helped by many mentors or donors on many blockchain platforms, they can connect with everyone they've ever engaged with instantly (with the right tools) and without needing to request information or permission from third parties.

This may look like invitations to events or even investment access for the company for those people who helped them get their business off the ground. Or even just a digital holiday card.

With the information stored on the blockchain, a founder who received mentorship or funding that was crucial to the future success of their career and life, can retroactively give back (economically or socially) to their mentor(s) or donor(s) years down the road.

Mentors

Philanthropic action can transform into an economic engine for mentors.

Mentors on the web3 platform could own their own data and use it to gain new opportunities like scholarships, promotions, and even new jobs.

For example, imagine being able to demonstrate to a boss not only mentorship time but also potentially the longevity and impact of those mentorship interventions when arguing that you are ready for a management role. You are immutably connected to the founder who you helped to build a successful business.

There may also be invitations or opportunities from third party organizations based on on-chain philanthropic reputation.

Sky's the Limit DAO user's data goes from being held in company-owned databases, to becoming fully user-owned data that can be leveraged for its full value by the users themselves, giving power back to the value creators in our community.

By being one of the pioneers of capturing philanthropic behavior on-chain for its users, Sky's the Limit is uniquely positioned in the philanthropic space to catch the beginning of this incentive wave.

Third Parties

Organizations can use the public data to grow the game by engaging with people on the basis of verified actions, behaviors, or skills. All without having to go through the original organization and negotiate partnership agreements.

As actions are captured in an immutable ledger any party can query that ledger and filter with extreme specificity and breadth. The network effect of this openness is exponential as more organizations come on-chain.

A simple example of this is the phenomenon of airdrops.

If someone wants to build a community of experienced users in decentralized finance (DeFi), they simply have to query the blockchain for users that have performed types of actions that prove experience in DeFi (providing liquidity, making deposits, offering loans, etc.) and airdrop them a governance token.

ENDAOMENTS

Endowments are large investment accounts that enable nonprofit organizations to fund future grants from investment yield without eroding the underlying capital that has been invested. If a \$10,000,000 scholarship endowment yields 5%, that provides \$500,000 in scholarship funding without taking away from the \$10,000,000 account. This shifts the giving model from a repetitive cycle into a truly sustainable impact tool.

A web3 path to enabling this is to lock funds within robust decentralized finance (DeFi) platforms to earn yield, proportional to the community's risk appetite. These yields would in turn fund the grants.

Building a web3 native enDAOment is a strong signal to the rest of the ecosystem that STL is taking web3 seriously and opens the door for permissionless donations from large DAO treasuries.

Blockchain technology makes it possible for Sky's the Limit DAO to adopt the opt-out mechanism (first developed by Moloch DAO). This would make donors the ultimate custodians of their own donation, making an unspent enDAOment gift more like a pledge that can be withdrawn, permissionlessly and frictionlessly, if circumstances change and they no longer agree with the direction of the DAO.

This ultimate donor safeguard, enshrined in smart contracts, could unlock large untapped philanthropic opportunities. Imagine how much more a person would donate to an endowment if they didn't have to trust that the nonprofit would be good stewards of their gift forever.

Replacing small donations with large ones that can be invested unlocks massive enDAOment potential.

Bringing philanthropy and DeFi together not only extends Sky's the Limit's grant giving, it also supports the DeFi ecosystem with more liquidity. Managing the treasury via DeFi applications can help Sky's the Limit build strong relationships with the communities of these applications, and solidify a strong reputation within the broader Web3 community.

As Sky's the Limit's reputation grows in the Web3 ecosystem, DeFi DAOs like Uniswap or Aave may consider donating their native tokens to the enDAOment to generate yield for Sky's the Limit on their respective platform.

Due to the permissionless and automated nature of smart contracts, DAOs could also automatically route a small percentage of their revenues to Sky's the Limit's endowment treasury.

similar to the way a lifestyle brand today might choose to donate 10% of profits to their favorite charity.

COMMUNITY DIRECTED GIVING

Sky's the Limit can change the relationship between donors and philanthropy by giving the power to steer the ship to its community members.

In the current philanthropic landscape, donor bases are fragmented by top-down organizations choosing a mission and hoping donors will support it. The donor base is further fragmented by localized payment rails at the mercy of third party payment processors. The donor base of a traditional charity may align with some of the values of a charity, but may disagree with others. Think about the donors to a university who support the scholarship fund but are annoyed by all of the new dorms being built on campus. This cognitive dissonance leads to fewer donations.

Sky's the Limit's funds could be managed transparently on-chain with governance tokens that engage and empower donors to have more of a say in managing donated funds.

Decentralization of governance via tokens puts the community in control, including potentially allowing big donors or collectives to self organize into organic and mission-aligned communities where they can direct capital to specific groups and areas.

When donors are more engaged, they give more to causes.

CONCLUSION

We can't wait to work with the Web3 community to continue to build this DAO and grow Sky's the Limit's impact in an increasingly transparent, decentralized, and democratic way.

Please join us to help break down barriers to early-stage financing for underrepresented founders while showing the world how Web3 can make philanthropy work better!