



GRACE

Grace Whitepaper v1.0

<https://gracetoken.org>



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The current state of charity fundraising is broken. Regardless of scale, most charities suffer from numerous problems such as fraud, corruption, difficulties in talent retention, and tacit social stigma in resource allocation. The purpose of Grace is to provide a decentralized solution to some of the most pressing inefficiencies. Grace is a secure fundraising platform built on the Ethereum blockchain, with a unique reward mechanism to organically incentivize charity campaign advocates.

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Most nonprofit organizations are not operating at their full potential. This phenomenon is in large part due to the long-standing stigma against risk-taking initiatives for innovation and greater profits in the same way the for-profit sector has been accustomed to.

Social expectations to keep overhead costs low perpetrate an illusion of efficiency and success, making real progress for outreach and growth even more elusive. The predisposition to focus on financial metrics and overhead costs is, though intuitively sensible, misguided and sometimes harmful. These factors manifest into several crippling effects that brought the industry to its current problem-ridden state.

Over time we have identified a few prominent issues:

- Innovations are discouraged due to generally risk-averse sentiments; Nonprofit Organizations on a management level tend to favor short-term gains over long term benefits.
- Most nonprofit organizations lack the profits to attract risk capital; As a result, growth rate suffers, and operations struggle to keep up with the rate modern technologies are evolving.
- Talent recruitment and retention remains a big challenge for nonprofit organizations: In a recently published report on nonprofit sector staffing trends, in 2016 - 2017, only 25% of nonprofits indicate they were successfully attracting talented staff, and "recruiting and retaining the most capable staff in an increasingly competitive marketplace continues to be a significant concern and challenge".^[1]



- Nonprofit organizations are less able to effectively leverage social media on campaign outreach, which is devastating on traffic and lead generations; A sector-wide social media scorecard based on 161 nonprofit organizations in the US was published in 2016, showing some alarming numbers: 76% of nonprofits do not enable social sharing, 85% of nonprofits who enable social sharing don't respond to it. On Facebook alone, 48% of nonprofits don't respond to questions in general, and 91% don't respond to post-donation questions. On Twitter, 71% don't respond to post-donation questions.[2]
- Marketing spending, along with other administrative costs, is considered wasteful and not directly contributing to the cause; This often comes from a groundless expectation that as much of the amounts raised as possible should go directly toward beneficiaries of the cause, effectively imposing a limit of null or even negative value to the campaign.

At the root of the problem, and most destructive of all is the irrational social stigma on making money - as in becoming more financially well off as an individual or organization through charity efforts. The stigma persists regardless of the presence of net positive value generation. In light of this issue, Dan Pallotta, a world-renowned thought leader and social entrepreneur in the nonprofit sector, framed it brilliantly[3][4]:

“The collective gasp we utter at the thought of anyone getting wealthy helping those who suffer is the axiomatic conclusion of our Puritan ethos about mixing money and meaning. That ethos is a cancer on our capacity to change the world.”

“Why should a person who wishes to bring the world a better mousetrap be able to know that he can get wealthy if he does it, while the person who wants to end hunger must know that he cannot? How can we expect people to fully pursue their dreams of bettering the world while denying them their economic dreams for themselves and their families?”



These are tremendously powerful statements.

They inspired us at Grace to dedicate our efforts into empowering and incentivizing individuals around the world, to engage and break the existing social stigma - in a pragmatic manner.

As we endeavor to disrupt the incumbent sector, it is imperative to construct a new foundational system to kick start a structural change. We defined a simplistic but crucial two-point manifesto to characterize a new generation of fundraising initiatives on Grace:

Maximize exposure
through economically incentivized efforts.

Maximize value output
from every unit of charity contribution.



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Grace introduces a proprietary, smart contract -based incentive mechanism on the blockchain to vastly improve the current way charity fundraising campaigns are run, as well as the way donations are made. Grace allows organizations to delegate promotional work to incentivized network users, known as Advocates, without incurring marketing costs up front. This enables promotional efforts to leverage the power of social marketing, to scale limitlessly.

In 2017, 63% of marketers say generating traffic and leads is their top challenge.[5] Advocate-driven social marketing is an effective solution to the problem which gives organizations the ability to focus on staffing in other areas and frees up resources to be allocated elsewhere.

Advocates on the Grace network select campaigns that fit their interest, experience, and value, and help spread the word for the cause in their own ways. They are compensated for the work, by receiving a percentage reward of the donations set by the campaign creator.

Professional social marketers and influencers are likely to make up a sizeable portion of the Advocate network, but the real beauty lies within the enabling nature of the platform. Relatively unskilled or low-income individuals can freely contribute to a cause by encouraging others to learn about various charity campaigns running on Grace, while receiving reasonable rewards to make the charitable work a financially sustainable one. Over time the network itself will reach an efficient state where a balance is struck between the numbers of professional and amateur Advocates, and become a viable source of income for both demographics.

When Donors are ready to make a monetary contribution to a fundraising campaign, they can make their donations directly on the Grace platform. Transactions are securely stored on the Ethereum blockchain. Each donation is held in a smart contract until release conditions are met - these conditions are specified in depth during the creation of the campaign and once the campaign is live, can be reviewed by the Donor before a donation is made.

In traditional settings, Donors' impact is limited to the amount of direct donations they make. Through the Grace platform, nonprofit organizations can enlist the help of Advocates on the network, who may be informed and passionate about the cause but for various reasons may not be as suitable for monetary donations, or simply individuals who treat the promotional work as an income source. Some people are



great at raising awareness about a cause, while others are more comfortable “earning to give”. Everyone has something valuable to offer - the collective efforts facilitated by a pragmatic reward mechanism are poised to maximize the exposure and the values created for any given charitable cause.

“If a person is a value-generating machine, and produces additional commensurate value for every additional increment of money they receive — and you can measure that value — then never stop the machine.”

- Dan Pallotta

Comparison of Fundraising on Grace vs. Conventional Channels

Fundraising on Grace is a drastic improvement over conventional channels. The key differences are summarized in the following table:

Conventional Channels	Grace
Established charities or beneficiaries initiate and drive fundraising. Exposure of fundraising campaigns is limited directly by the organization’s resource allocation.	Anyone, including beneficiaries, may initiate fundraising. Possible for multiple ongoing campaigns to target similar or slightly different causes. Fundraising results are purely market-driven, and all involved parties are incentivized to maximize campaign exposure.
Significant resources are required to hire marketing staff. Talent recruitment and retention are especially challenging and time-consuming problems for many nonprofit organizations.	Motivated Advocates on the Grace network help organically grow the initiative. Campaigns benefit from powerful network effects.
Charities spend on advertising, marketing channels, and outreach.	Utilization of Grace frees up funds otherwise allocated to marketing, so resources can be focused on other important operational and logistical aspects.



A donor's contribution is one-off and transactional. It ends once the donation is made.	A percentage of donor's contribution can be allocated to further incentivizing Advocates, meaning each contribution can trigger a ripple effect with lasting results, further increasing a campaign's exposure.
No network effect: one donor's contribution does not affect another donor.	Network effect: the more Grace is utilized, the more valuable and secure the network becomes. Advocates see more opportunities; beneficiaries receive more donations.
No easy way for Donors to keep track of contributions, their amounts, sources, transaction time etc.	Each donation is recorded on the Ethereum blockchain, which means it is stored securely, permanently, in a decentralized manner that is easy to retrieve and query.
Donors have to hold onto their donation receipts for tax deduction. Often, these are lost or forgotten when it comes time for filing taxes.	Donors can easily view all their historical donations on Grace, with a clean and intuitive user interface. Records are stored on the blockchain and are immutable.
Donations are "dumb", i.e. there is no way to add conditions to withhold donations no matter how bad things turn out to be.	Grace donations are written in smart contracts, which can be extended to support advanced payment logic such as staged payments, or conditional release of funds.

Table 2.1 - Key differences between conventional fundraising and Grace



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For many marketers, lead generation is a big challenge. According to results recently published by Hubspot, 53% of marketers indicate that at least half of their budget is allocated to lead generation, and 58% of marketers say their lead generation budget will increase in the coming year.^[6] This represents an enormous opportunity where Grace can provide unique value.

Grace elegantly solves the promotion problem with its Advocate Incentive Mechanism, which provides economic incentives for Advocates to promote a cause. Through word-of-mouth and social marketing, Advocates generate campaign exposure that attracts interested parties to donate, or to become Advocates on Grace themselves.

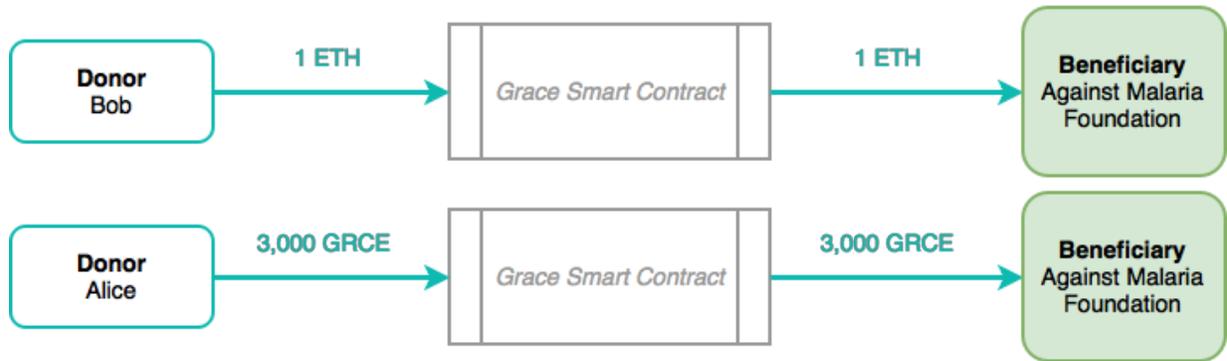
Advocates are rewarded for their effort, with a percentage of the additional contributions generated. This reward percentage is set at the time of creation of each campaign.

On the Grace platform, donations can be made in ETH or GRCE; while Advocate rewards are released solely in GRCE. All transfers on the network are processed by open-sourced Solidity smart contracts, developed by the Grace team, on the Ethereum blockchain.

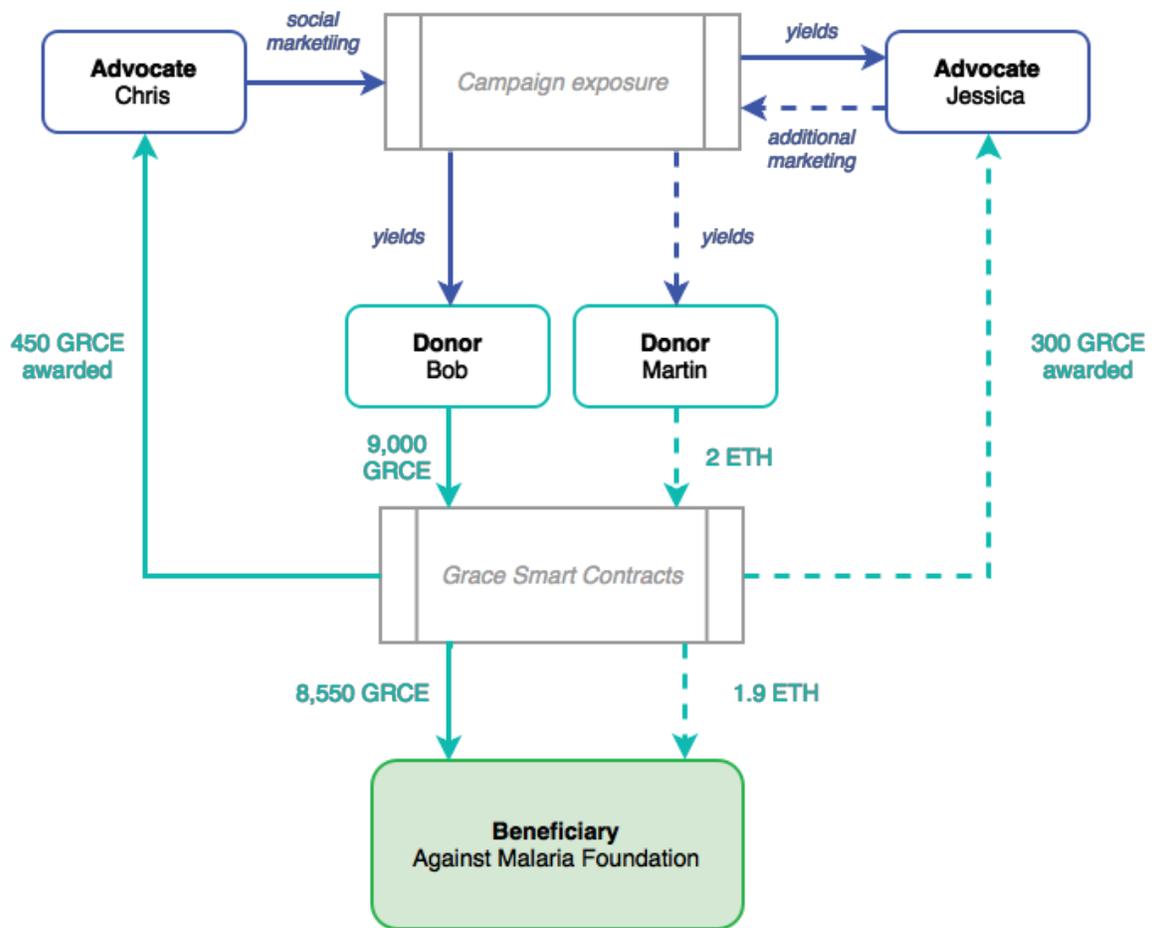
The diagram below illustrates the various scenarios of donations on Grace. For simplicity in the example, assume conversion rates of 1 ETH = 3,000 GRCE, excluding network transaction costs. As well, a reward percentage of 5% is used in this case.

In example (a), Donor Bob discovers the Against Malaria Foundation (AMF) campaign listing by himself on the Grace platform and makes a donation. In this case, the Grace smart contract writes the donation on the blockchain, and transfers the ETH to the beneficiary at the specified time of release. Similarly, donor Alice makes a donation in GRCE, and another smart contract transfers the GRCE amount to AMF when the conditions are met.

In example (b), the original Advocate Chris' promotional efforts result in two new users on Grace: Bob, a Donor who decides to contribute to the AMF through Grace; and Jessica, who is inspired by Chris' work and becomes an Advocate herself. Chris receives 450 GRCE for Bob's donation. Jessica, by bringing on an additional Donor Martin who donates 2 ETH (6,000 GRCE), receives 300 GRCE for her work.



(a) Organic Donations



(b) Advocate-Generated Donations

Figure 2.1 - Advocate Incentive Mechanism

The Incentive Mechanism aligns the Advocates' interest with greater social interest. Every party involved, namely the campaign Beneficiary, Advocate, and Donor's



actions are all economically better off in terms of value generation. The potentials and benefits of this network effect are immense.

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The Grace platform runs on the Ethereum blockchain, which is a reliable technology for recording and executing smart contracts in a secure and decentralized manner. Cross-border transactions on the blockchain can be carried out with minimal costs, as opposed to the hefty fees traditional donations incur. As well, the smart contract releases funds only to the intended recipients, and no one else.

The smart contract facilitates realization of the Advocate incentive mechanism. Quantifications of Advocate contributions reference the involved campaign, which determines the reward percentage. The Advocates thus automatically receive transfers upon successfully attracting additional donations to the campaign.

The Grace smart contract can also be customized to include conditions for the release of funds, such as development milestones that the beneficiary must meet. In addition, since all donations are recorded on the blockchain, there is an increased level of transparency, allowing the public to audit the flow of money.

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It is important to know the recipient address for donations on the Grace network is indeed the same entity it claims to be outside the network. Grace implements a multi-level verification process that assigns labels to the beneficiary depending on its status in the process. This gives donors more confidence when making a contribution.

Each beneficiary on the network is asked to submit information such as website, email address, physical address, and any relevant documents for verification. Such information will be made public for all users to see. This means anyone on the network can perform audits on any beneficiary. If anything abnormal is noticed, a participant in the network can flag the suspicious beneficiary. Verification statuses can be revoked at any point, even after completing all levels of the process, if enough participants flag the entity as illegitimate.

9a U]`j Yf]Z]WWh]cb: Grace sends an email to the address submitted, containing a unique verification link. It would be very difficult for the verification applicant to have access to the link unless the applicant has access to the email account.



D\cbY`j Yf]Z]W]h]cb: Grace makes an automated call to the phone number with a 6-digit code. The applicant must enter the code on the web verification interface within a specified time window.

K YVg]hY`j Yf]Z]W]h]cb: Grace generates a HTML meta tag with a unique hash value that only the applicant of the verification can see. The applicant is to include the meta tag on their main website. If Grace sees the unique hash when visiting the website submitted by the applicant, we know the applicant is the owner of the website.

A Ubi U`j Yf]Z]W]h]cb: Contributors to the Grace platform can perform manual checks on the beneficiary in a variety of ways. This may include performing online searches, calling the phone number submitted, or even visiting the physical address.

More advanced verification schemes may be added in the future depending on the need as decided by the community to minimize fraudulent activities - specifically to filter out malicious parties posing as known registered organizations.

In addition to the general verification process, we have plans to directly reach out to established nonprofit organizations around the world. Since these organizations are onboarded manually, they may be exempt from part of the usual process. However, they remain subject to community vetting and verifications at all times, to ensure the highest level of validity and transparency.

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There have been a number of initiatives by leading nonprofit organizations to implement transactions and donations using blockchain, as the technology gained more popularity and mainstream attention in recent months. Many of these efforts seek to eliminate the prominent problem of corruption by various approaches. Looking forward, we expect this trend to continue and there would be more innovative solutions addressing the current inefficiencies in the operation of nonprofit organizations.

Grace is designed to be easily integrable with these new solutions. For example, UNICEF is working with London-based Donorcoin to curb corruption [Z], by implementing a staged payment system where the prepaid funds are released only upon milestones being reached. While UNICEF and Donorcoin focus on converting donated funds into material impact, Grace's role is more focused on the main bulk of the promotional work - to efficiently maximize funds raised in the first place. In general, by utilizing the Grace platform, any fundraising campaign or charity can benefit from additional exposure, without increasing their overhead costs, or spending resources recruiting marketing talents.



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The Grace platform is designed such that all participants playing the different roles are incentivized to maximize the outcome of a fundraising campaign - by aligning individual self-interests with charitable interests.

Transactions on the Grace platform are recorded on the blockchain thus are transparent and immutable. Not only can the Donor be rest assured that the donations get transferred securely to the Recipient, the donations directly contribute to a ripple effect of positive impacts that delivers much more value than traditional donation methods - a realization of our manifesto. As well, Donors may apply for tax deductions with their donations. Grace makes it easy to retrieve relevant donation records, which are persisted on the network indefinitely.

Through the non-monetary, but equally important, promotional efforts by the Advocates, each campaign is leveraged at no additional costs. The Advocates are financially compensated for their contribution with Grace tokens, making it a potentially viable and stable source of income.

As a result beneficiaries receive more donations than they otherwise would, all the while outsourcing promotional efforts to the Advocates, freeing up their limited capital to be allocated in other areas. This is a truly *win-win-win* scenario for all participants in the Grace network.

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In many countries around the world, we have observed a steady decline in volunteering rate (which measures the number of people participating in volunteer activities divided by the population) as well as the average annual number of hours of volunteer work done.

The decline is noticeable even in countries where volunteerism is ingrained in the local culture. In Canada, average annual volunteering hours have dropped from 168 in 2004 to 154 in 2013.[8] In the US, volunteer rate has dropped from 28.8% in 2005, to 26.8% in 2011, and further down to 24.9 in 2015.[9] Most of the drop in participation rate is attributable to increasing opportunity costs.

This trend is a stark reminder of the limitations of volunteering. While volunteers are helpful, organizations need reliable contributions in the long run and volunteerism is not always the most practical solution.



We believe people intrinsically like to contribute to causes they are passionate about. But passions alone can only burn for so long. For many people, time is very often a limiting constraint and there is only so much sacrifice one can make before having to succumb to the unforgiving reality of daily affairs and commitments.

Grace tackles this long-standing problem by establishing a stream of income for Advocates to continue their charitable work in a financially sustainable way. In some cases, Advocates may earn enough from Grace rewards to justify doing good full-time. A truly profound outcome.

In a world that is trending towards individual autonomy and decentralization, Grace offers a new way for individuals to be compensated for their time spent raising money and awareness for a cause without the usual drawbacks.

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The interactions of various types of users on the Grace platform are designed to be conducive for network effect. Network effect is the key dynamic behind the phenomenal successes of many modern software companies, such as Uber and Twitter. Grace strives to facilitate this same organic growth and channel it into maximizing social good.

The higher the platform usage, the more valuable it becomes for its users. As the network grows, Advocates have more campaigns to choose from to promote; Beneficiaries get more of the much-needed donations from the increased exposure; Donors see their donations yielding a higher value output allowing the organizations to carry out their missions in a more effective manner. All of these values generated are part of a ripple-effect that will kick start another round of value generation - such is the power of network effects.

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Grace does not specify how Advocates choose to spread the word about a given cause. Advocates may be social influencers with a big following, or simply passionate individuals who want to help promote a worthy campaign. As such, the method of outreach may range from broadcasts to the Advocate's followers, to more personal conversations among one's social circle to raise awareness.

What we believe will be the common thread is the heavy use of social media platforms such as Facebook and Twitter as vehicles to reach the Advocate's audience. Word of mouth is an incredibly powerful mode of promotion. Grace unleashes the power of social organic growth and leverages it to magnify the social impact of charitable efforts.



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GRCE tokens play a significant role in facilitating a community where charitable efforts are aligned with self interest.

The tokens act as both a secure means of donation, as well as the underlying commodity driving the Advocate Incentive Mechanism. GRCE is an ERC20[10] token based on Ethereum, which is a widely adopted blockchain technology with smart contract capabilities. It is to play a crucial role in setting up proper economic incentives to encourage behaviors that lead to common good.

This token sale serves to kickstart the network effect by attracting early adopters. Early participants in the network are rewarded with extra GRCE tokens, higher control over network governance, and various other benefits.

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There are two ways in which a donation can be made on the Grace platform: in ETH, or in GRCE. These two donation methods are recorded on the Ethereum blockchain, and locked in smart contracts until pre-specified fund release conditions or time have been fulfilled. The conditions for fund release, along with the reward percentage for Advocates' efforts, are determined by the organizers of the fundraising campaign prior to its launch.

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A campaign on Grace is a fundraising event with a specified beneficiary, fixed duration, as well as a percentage reward as Advocate incentives. All funds collected, minus the rewards for Advocates, will be transferred to the designated recipient at the specified fund release date(s). Rewards for Advocates are also distributed, in GRCE, when contributions are released. The token's secure nature ensures recipients can directly receive and utilize the amounts raised, without worrying about typical hindrances such as intermediaries-related fraud and corruptions[11].



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While donations can be made in ETH or GRCE, rewards to Advocates are released only in GRCE. This is to enable more custom instrumentation of incentives that are conducive to healthy growth of the Grace community and social good.

Before rewards for each campaign are transferred to the corresponding Advocates, the reward tokens are locked in a smart contract, and are gradually made available to the Advocates according to the following vesting schedule:

Days after campaign end date	% of rewards released (to date)
7	50%
14	70%
21	90%
28	100%

This vesting mechanism helps prevent malicious dumping of GRCE tokens upon receipt, and protects the interest of charities and other token holders in the Grace network.

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GRCE tokens are the key commodity being exchanged on the Grace platform. As such, prevention of token devaluation is integral to maintaining a thriving network. In order to achieve this goal, Advocate rewards are divided into tiers to incentivize holding of the token: the more GRCE an Advocate has, the higher the rewards they receive for their promotional efforts.

The tiers of Advocate rewards are summarized in this table:

Tier	Minimum GRCE holding requirement	% of rewards going to the Advocate	% of rewards withheld and added to Grace Reserve
6 fcbnY'	Less than 3000	86%	14%
G]j Yf'	More than 3000	88%	12%
; c`X'	More than 10,000	91%	9%
D`U]bi a '	More than 50,000	95%	5%



J-D	More than 100,000	100%	0%
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Any individual or organization can create a campaign. During the initial campaign creation process, campaign creators have the option to submit a bid in GRCE tokens for one of the limited featured campaign spots on the Grace platform. A featured campaign is more visually prominent on the user interface and are more likely to receive contributions from the additional exposure. Feature campaign spots are updated every day and are determined the day before. The higher the bid, the more likely a campaign will be awarded a spot on the featured list.

If a bid results in the campaign being featured on the platform, the campaign creator's account will be put on a 14-day cooldown period in which the user will not be able to submit another bid to get a campaign featured. This mechanism is to ensure all users can access and benefit from the featured listings functionality. The cool down period will apply to all other campaigns the user is running, to prevent situations where users of higher GRCE balances abusing the bidding system by constantly submitting high amounts for all campaigns and limiting other users' chances of getting their listings featured.

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As featured campaign spots are auctioned off each day, GRCE tokens from the winning bids are sent to the Grace reserve. Since the supply of GRCE is fixed, it is economically unviable for the tokens to be burned. On the flip side, it is also against the altruistic values of Grace to keep these tokens as a revenue stream. Therefore, we propose a simplistic and fair approach: redistributions of funds.

The essence of philanthropy predicates on altruism and reciprocity. We believe this solution can further incentivize platform usage, which implies a higher overall exposure of charity campaigns and value output for contributions. As the initial redistributions take place, tokens are evenly distributed each time to a randomly selected list of verified campaigns. Exact specifications for this mechanism are to be determined shortly after the public beta release, before the official launch of Grace platform, to ensure we can gather enough usage data to design a truly fair system.

In the future, as platform usage and the size of our reserve increase, the community can propose and vote on more creative and practical ways to redistribute GRCE tokens. We foresee a more efficient utilization of the reserve as the community matures.



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The GRCE tokens serve as the main form of compensation for the effort put forth by the advocates in promoting fundraising campaigns. Rewards will be held in smart contracts together with the actual contributions, until the designated time of release.

Like campaign creators, Advocates will also be able to expend GRCE tokens for a bid, to get an existing campaign featured on the platform. This happens after the creation of the campaign, and the same 14-day cool down period applies to the account which submits the winning bid. Sponsoring a campaign to be featured is an additional way an Advocate can contribute to a given cause.'

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A total of 120,000,000 GRCE tokens will be issued. The token supply is permanently capped at 120 million, making it intrinsically deflationary. 20% of all GRCE tokens issued are withheld and 80% are sold in the token sale.

GRCE tokens are sold at an exchange rate of 3,000 GRCE per ETH. During pre-sale, purchases are rewarded with 20% extra tokens until the pre-sale period closes 7 days later or reaches its cap of 20 million tokens. Once the official contribution period has started, further purchases made are not rewarded with a bonus. As soon as a contribution transaction is confirmed on the Ethereum blockchain, the corresponding amount in GRCE is released to the sender's address.

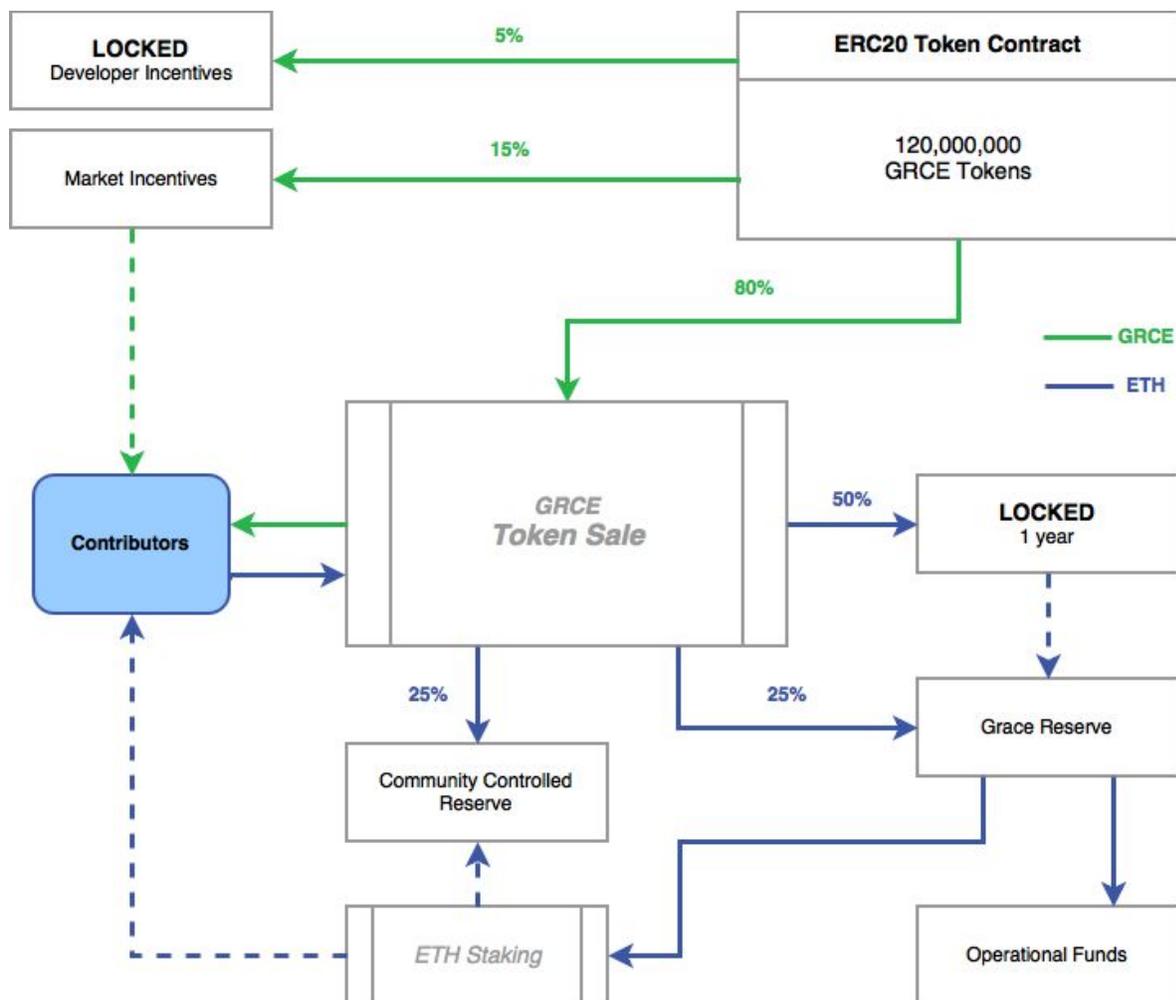


Figure 3.1 - Token Sale and Contribution Allocation Model



The incentive GRCE tokens for the Grace team are locked in an escrow contract and we will have no access to these tokens, until core features on the Grace platform are finalized and the platform is released. We will be keeping all of the released ETH contributions in cold storage as to alleviate any potential security flaws and malicious activities to obtain the funds. There is no plan to sell-off any amount of ETH raised, and we will only take from the fund when an expense occurs which can only be resolved in fiat.

15% of GRCE tokens issued are reserved for market incentives - controlled collectively by all GRCE holders. Each quarter, holders get a chance to vote on utilization of the quarter's market incentive allocation. We expect potential utilizations to include donations to designated charities, distribution to holders, or burning of the allocated tokens. Keeping the allocations to four times a year provides the community ample time to coordinate and decide on the best utilizations, as well as allows them to take reactive actions each quarter based on the sector's changing landscape.

In terms of the ETH raised, 50% are locked in an Escrow contract and will remain inaccessible for one year. 25% immediately go into Grace reserve and are used to fund the most pressing aspects of development. The remaining 25% are subject to a decentralized governance mechanism - a primarily community-driven way to control and release the funds when appropriate, to minimize potential misuse of funds. If the Grace team need to draw from this Community Controlled Reserve, a proposal needs to be made and be approved by the community, within an allotted timeframe which length is based on the significance of the proposed use.

Idle ETH in the Grace Reserve are staked and are expected to yield periodical staking rewards, which will primarily be added to the Community Controlled Reserve, and are also possible to be distributed directly to GRCE holders. Exact allocations are to be determined.



GRACE Budget Allocation

Funds raised during the contribution period will be used for the development and benefit of the Grace Project. A budget allocation is outlined below, representing a scenario where our funding goal is achieved and the entirety of the 80% of minted GRCE tokens are distributed.

Operations

Dedicated to the day to day operations of the project, such as recruiting developer talents and community managers. Also serves as general project runway.

Legal

Compliance is crucial to the long term success of Grace. The budget allocated to legal costs ensure funds raised through the Grace platform will be available to our users in every market we serve.

Security

The foundation of Grace usage rests upon the security of the Grace platform. We plan for security audits on our proprietary technologies to ensure they are up to the highest standard.

Marketing

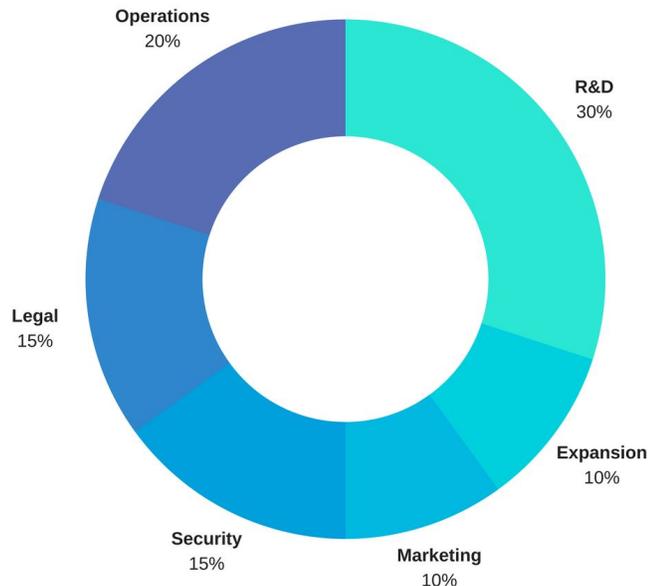
The more the Grace platform is recognized by the public, the more donors, advocates and campaign creators it will attract. Marketing efforts are crucial to expanding our network and taking us closer to disrupting the incumbent industry.

Expansion

Continual onboarding of recognized charities. This part of budget mainly goes into due diligence and verification processes related to partnering with recognized nonprofit organizations.

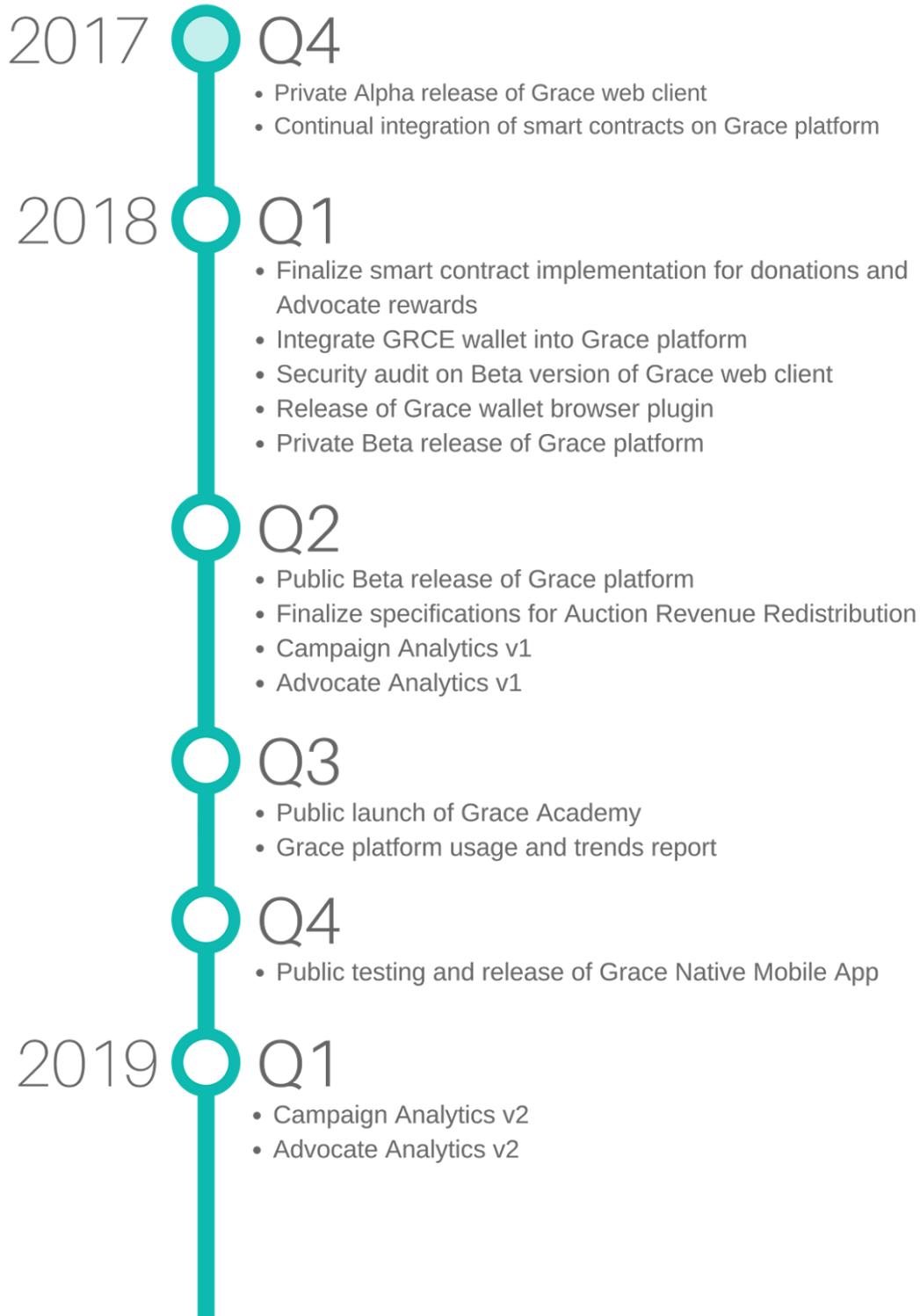
R&D

Development of Grace platform. A large part of this budget is used to continue improving the user experience of Grace client itself, as well as implementing new features along with improvements to the network.





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