2025

WEB3 ACCOUNTANT
CRYPTO ACCOUNTING REPORT

PART 4 - CRYPTO ACCOUNTING AND AUDIT UNDER US GAAP

WEB3 ACCOUNTANT

KoinX **LedgerLens**

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Table of Contents

With Reference and Thanks to

FASB FINANCIAL ACCOUNTING STANDARDS BOARD   The Network Firm   Interactive Brokers   Robinhood

Deloitte.   U.S. Securities and Exchange Commission   coinbase   kraken
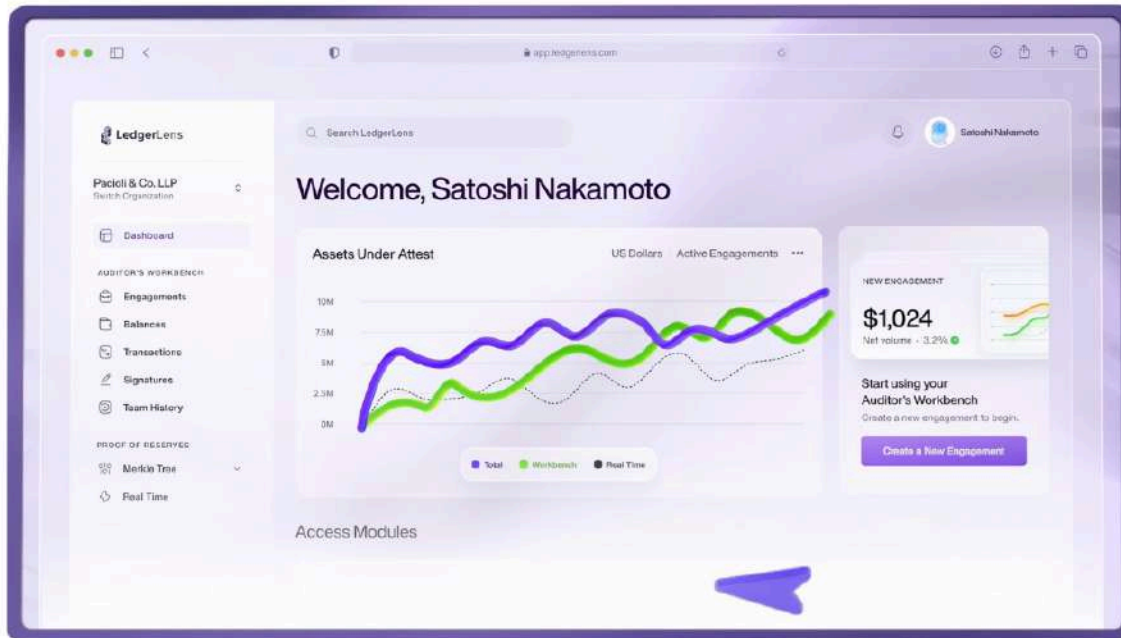
2

Foreword

We are excited to present the Web3 Accountant Report—a series created by accountants, for accountants, designed to bridge the gap between emerging blockchain technologies and practical financial reporting.

This initiative is proudly supported by **KoinX** and **LedgerLens**, whose ongoing commitment to digital asset transparency and compliance has helped shape this resource. Our goal is to equip finance professionals with the clarity and confidence needed to navigate Web3 as it rapidly evolves from fringe innovation to institutional reality.

This report comes at a pivotal moment: Bitcoin and digital asset adoption by institutions are reaching all-time highs, signaling a shift in how value is stored, transacted, and accounted for. As regulatory frameworks begin to solidify, and enterprise interest grows, accountants must be ready to lead—not lag—this transformation.

We also invite you to join us in person for the **Web3 Accountant Meet at ISCA House on 30 September**, where we'll dive deeper into emerging accounting issues, real-world case studies, and practical toolkits for managing digital assets.

We welcome all feedback, contributions, and enquiries. Let's shape the future of accounting in the decentralized economy—together.

Web3 Accountant Editorial Team
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Subscribe to our newsletter at **web3accountant.online** to be the first to receive future reports directly in your inbox.

Released Reports include:

Part 1 - IFRS Accounting for Crypto and Stablecoins (Released 30 July 2025)

Part 2 - Singapore Crypto Tax Guide 2025 (Released 6 August 2025)

Part 3 - 20 Basic Crypto Terms and Basic Finance Forms (Released 20 August 2025)

Part 4 - Crypto Accounting and Audit under US GAAP (This Report)

Summary

❋ US GAAP Accounting & Audit for Crypto

Under US GAAP, crypto is generally accounted for at fair value and judgement is required to determine if customer assets are captured in the balance sheet.

❋ Detailed Audit Procedures for Digital Assets Outlined by Assertion

Balance Sheet Assertion	Procedures
Completeness	• Obtain a comprehensive wallet list • Monitor for missing wallets • …
Existence	• Identify the block height • …
Valuation	• Assess the liquidity of the token • Consider timing of the valuation • …
Rights & Obligations	• Cryptographic Signature Test • Send-to-Self Transaction • …
Presentation & Disclosure	• Disclose its valuation election and accounting treatment • Disclose the aggregate cost basis and fair value • …

❋ Multi-Layered Framework for Assurance in Crypto

Proof of Reserves	Attestation over Customer & Custodial Assets
SOC 1	Assurance over the Company's System of Financial Reporting for Other Entities
CCSS	Assurance over the Company's Digital Asset Custody Controls
SOC 2	Assurance over a Company's Security Controls
Financial Statement Audit	Assurance over a Company's Financial Statements
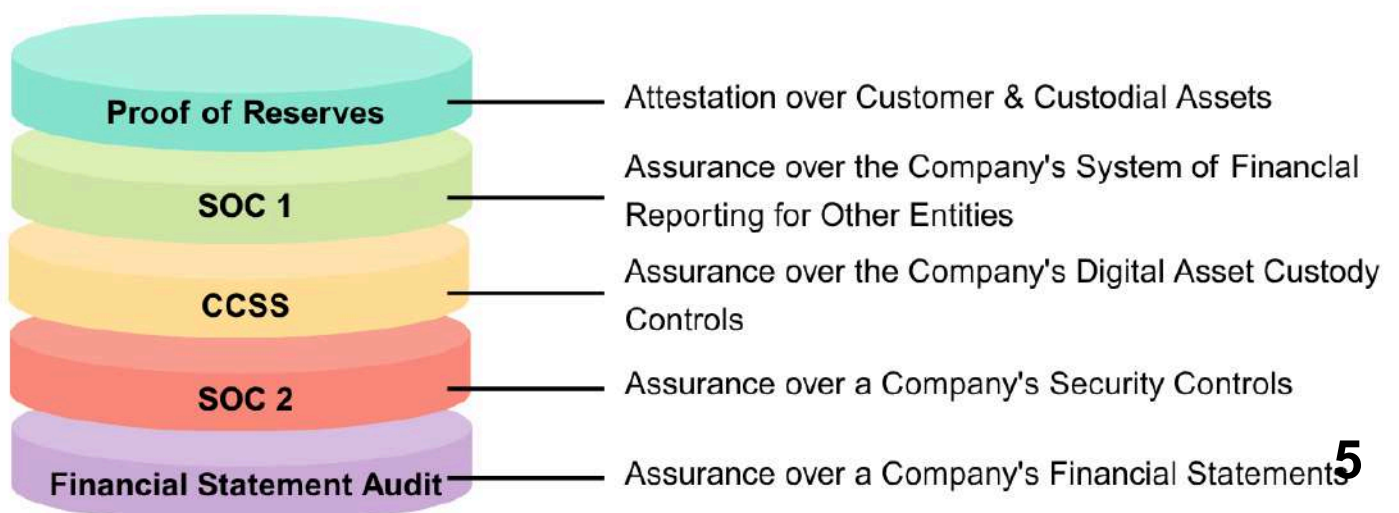
The Basics of US GAAP

Auditing financials is never simple. It takes specialized knowledge to dig into a company's books and make sure everything checks out. But when digital assets enter the picture? Things get a whole lot trickier.

Trying to confirm digital asset balances? There's no bank to confirm with. Want to verify transactions? "Just look on the blockchain"… but how? And if your client is holding crypto on behalf of others? That just raised your audit risk.

In this edition, we'll walk through the key audit assertions and applicable financial reporting standards under US GAAP related to digital assets.

Lastly, we cover remaining holes in US GAAP and the concept of Proof of Reserves.

But before we dive in, let's start with the basics. We first need to understand how digital assets are treated under U.S. GAAP.

The New Standard for US GAAP

ASU 2023-08 (Subtopic 350-60)

Historically, digital assets were treated as intangible assets. Pre-December 15, 2024, and to the disdain of digital assets proponents, changes in fair value could only be reflected *to the downside (as impairment)*, with no upward revaluations allowed.

However, with the implementation of ASU 2023-08 (Subtopic 350-60), certain crypto-assets would now be available for *upward* revisions in digital asset fair values on the balance sheet, with changes in Fair Value reflected in the Income Statement. ASU 2023-08 still requires measurement at fair value under ASC 820, meaning market-based exit price assumptions, not cost-based or intrinsic value models.

The changes applicable to all assets that meet all the following criteria:

1. Meet the definition of intangible asset as defined in the FASB Accounting Standards Codification®
2. Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
3. Are created or reside on a distributed ledger based on blockchain or similar technology
4. Are secured through cryptography
5. Are fungible
6. Are not created or issued by the reporting entity or its related parties.

With this change, Companies like Strategy (formerly MicroStrategy) could now better reflect the fair market value of their digital asset holdings on their US GAAP Financial statements.

A brief overview of the changes are noted within the table below:

Area	Before ASU 2023-08 (Legacy GAAP)	After ASU 2023-08 (Subtopic 350-60)
Codification	ASC 350 (Intangibles & Goodwill and Other)	ASC 350-60 (Intangibles & Crypto Assets)
Asset Classification	Indefinite-lived intangible asset	Crypto asset (a new defined class within intangible assets)
Initial Measurement	At historical cost	At historical cost
Subsequent Measurement	Lower of cost or fair value (impairment-only model)	Fair value with changes recognized in net income
Impairment Losses	Required when fair value drops below cost; cannot be reversed	No separate impairment test required as fair value already reflects current value
Revaluation Upward	Not allowed	Allowed as fair value gains/losses flow through earnings
Income Statement Impact	Only losses reflected when impairment is triggered	All fair value changes (gains and losses) are recognized in net income
Balance Sheet Value	Carrying amount is historical cost minus any impairment	Carrying amount is fair value
Disclosures	Minimal; only required for intangible assets with impairment losses	Expanded disclosures: fair value, cost basis, changes in fair value, restrictions, etc.
Effective Date	N/A (legacy treatment still applies through 2024)	Annual periods beginning after Dec 15, 2024; early adoption permitted

Importantly, this change did not impact digital assets that did not meet the criteria, such as stablecoins or RWA (real-world asset) tokens.

Key Changes for Public Companies

SAB 122 – **Rescission of SAB 121 (Crypto Custodial Obligations)**

In 2022, the SEC issued SAB 121, requiring entities safeguarding crypto-assets on behalf of users to record those assets and related obligations on their balance sheet, even when they didn't legally "own" the assets, they were just holding them on their customers behalf. This created significant controversy, particularly in the crypto industry, where such treatment diverged from traditional custodial accounting under U.S. GAAP.

However, with the issuance of SAB 122 on January 23, 2025, the SEC formally rescinded SAB 121, removing the requirement to recognize safeguarded crypto-assets and offsetting liabilities on the balance sheet. The updated guidance instead points companies back to existing GAAP, specifically ASC 450-20, which governs accounting for loss contingencies.

Under SAB 122, entities must now evaluate custodial arrangements using a contingency framework, recognizing a liability only if a loss is probable and reasonably estimable. If that threshold isn't met, no liability or asset is recorded. **Yes, that means customer assets and an associated liability do not have to be on a crypto-companies balance sheets.** While balance sheet recognition is no longer required, robust disclosure is still encouraged, particularly when safeguarding large volumes of crypto-assets on behalf of customers.

Companies previously affected by SAB 121, such as exchanges, wallet providers, or custodians, should apply full retrospective adjustments, removing previously recorded custodial assets and liabilities, and adjusting retained earnings accordingly.

A brief overview of the rescission and replacement guidance is noted in the table below:

Area	SAB 121 (Now Rescinded)	SAB 122 (Effective 2025)
Codification	SEC Staff Accounting Bulletin 121 (Topic 5.FF)	SEC Staff Accounting Bulletin 122 (Rescinds 121)
Requirement	Record custodial crypto-assets and offsetting liability at fair value	No automatic recognition; apply ASC 450-20 to determine whether a loss contingency exists
Trigger	Entity holds/safeguards crypto for customers, regardless of legal title	Evaluate whether the entity is obligated and whether loss is probable and estimable
Balance Sheet Treatment	Required on-balance sheet asset and liability	No recognition unless ASC 450-20 threshold is met

Area	SAB 121 (Now Rescinded)	SAB 122 (Effective 2025)
Retrospective Application	N/A	Full retrospective: remove SAB 121 entries and adjust prior period retained earnings
Disclosure Expectations	Nature of custody, legal ownership, safeguards, insurance/indemnity	Encouraged but not required; emphasize risks, protections, and the nature of custodial obligations
Practical Impact on Custodians	Increased liabilities, inflated assets and volatility in capital metrics	Returns to GAAP-aligned treatment consistent with ASC 450-20—recognizing a liability only if a loss is probable and estimable
Effective Date	March 2022 (no formal adoption process)	Annual periods beginning after Dec 15, 2024; early adoption permitted

Various US entities have early adopted SAB 122.

Coinbase's early adoption of SAB 122:

Change in accounting principle

Safeguarding customer crypto assets and safeguarding customer crypto liabilities

On January 30, 2025, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 122 ("SAB 122"). SAB 122 rescinds the previously-issued interpretative guidance included within SAB 121 with respect to accounting for obligations to safeguard crypto assets that an entity holds for its customers. SAB 122 directs an entity to apply Accounting Standards Codification ("ASC") 450-20, *Loss Contingencies* to determine whether an entity has a liability related to risk of loss from an obligation to safeguard crypto assets for customers. The Company has adopted SAB 122 as of December 31, 2024 on a retrospective basis. As a result of the adoption of SAB 122, the Company has derecognized the Safeguarding customer crypto assets and Safeguarding customer crypto liabilities, and related deferred tax asset and liability, previously recognized in the Consolidated Financial Statements. The Company has also reclassified crypto assets held as collateral and the related obligation to return collateral that were previously recognized within Safeguarding customer crypto assets and Safeguarding customer crypto liabilities to conform to current year presentation.

In accordance with GAAP, the periods presented have been retrospectively adjusted to reflect this change, with no impact on revenue, operating income, net income, earnings per share, or any other components of equity or net assets. The following table shows the changes in presentation in the Consolidated Balance Sheets upon the Company's change in accounting principle to reflect the derecognition of Safeguarding customer crypto assets and Safeguarding customer crypto liabilities (in thousands):

	As of December 31, 2023		
	As Previously Reported	Adjustment	As Adjusted
Safeguarding customer crypto assets	$ 192,583,060	$ (192,583,060)	$ —
Safeguarding customer crypto liabilities	192,583,060	(192,583,060)	—

Source: Coinbase 2024 Annual Report

Robinhood's early adoption of SAB 122:

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In January 2025, the staff of the SEC issued SAB 122 which rescinded the SAB 121 requirement for entities that have obligations to safeguard users' crypto assets to recognize both a safeguarding liability and asset on the balance sheet measured at fair value of crypto in custody initially and at each subsequent reporting period. As permitted, we early adopted SAB 122 as part of the consolidated financial statements for the year ended December 31, 2024, with retrospective application for all comparative periods. As a result of our adoption of SAB 122, we derecognized both the asset captioned "Asset related to user cryptocurrencies safeguarding obligation" of $14.71 billion and $35.21 billion and liability captioned "User cryptocurrencies safeguarding obligation" of $14.71 billion and $35.21 billion as well as their related tax effects of $3.66 billion and $8.84 billion on our consolidated balance sheets as of December 31, 2023 and 2024. We also considered whether a liability representing anticipated losses from crypto assets which we hold in custody on behalf of users should be recognized under the ASC 450-20, *Loss Contingencies* framework. As of December 31, 2023 and 2024, the likelihood of loss from crypto assets which we held in custody on behalf of users was remote; as such, no liability was recorded on our consolidated balance sheets.

Source: Robinhood 2024 Annual Report

Interactive Broker Group's early adoption of SAB 122:

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

2. Significant Accounting Policies (Continued)

The Company early adopted SAB 122 with retrospective application to all prior periods presented. Previously reported amounts in the consolidated statements of financial condition and notes to the consolidated financial statements have been adjusted, as follows:

	December 31, 2023[(1)]		
	As Reported	Adjustment (in millions)	As Adjusted
Assets			
Other assets	$ 1,127	$(172)	$ 955
Total assets	$128,423	$(172)	$128,251
Liabilities			
Accounts payable, accrued expenses and other liabilities	$ 676	$(172)	$ 504
Total payables	$102,799	$(172)	$102,627
Total liabilities	$114,356	$(172)	$114,184
Total liabilities and equity	$128,423	$(172)	$128,251

Source: IBKR 2024 Annual Report

What These Changes Mean for Accounting Professionals

Ultimately, the FASB and SEC have taken important steps to bring the accounting for digital assets closer in line with traditional frameworks used for other asset classes and financial institutions. These changes improve transparency, consistency, and usefulness in financial reporting, while also reducing the accounting asymmetry that previously plagued digital asset holders.

For accounting professionals, this means:

10

- Less guesswork, more clarity: With ASU 2023-08 introducing fair value accounting for certain crypto-assets, practitioners no longer need to rely solely on impairment-based models or stretch analogies to intangible asset rules.
- Simplified audits and valuations: The ability to mark qualifying digital assets to fair value streamlines both internal reporting and audit procedures. This allows asset managers, fintech platforms, and corporates to present a more accurate financial picture.
- Reduced overstatement of liabilities: The rescission of SAB 121 via SAB 122 eliminates the need to book custodial crypto-assets and corresponding liabilities on the balance sheet, unless a true obligation exists under ASC 450. This aligns crypto custodians with traditional off-balance sheet treatment used in other custodial industries.
- Greater alignment with economic reality: Financial statements can now better reflect the actual fair market value of crypto holdings—especially for institutions like MicroStrategy or funds with large Bitcoin positions.
- Increased responsibility for disclosures and judgment: While some rigid accounting rules have been relaxed or clarified, professionals must still apply significant judgment—particularly in areas like assessing loss contingencies, custody risks, and non-fungible crypto arrangements (e.g., NFTs, staking, or DeFi).

In short, these updates represent a meaningful maturation of digital asset accounting in the U.S. landscape. For CFOs, controllers, and auditors, they offer clearer guidance, but also raise the bar for technical understanding, internal controls, and documentation quality in crypto-related reporting. Additionally, even though customer assets do not have to be on a crypto-companies balance sheet, robust recording and tracking mechanisms are extremely important to maintain a "full reserve."

Financial Reporting Areas Still with Ambiguity

While recent updates like ASU 2023-08 and SAB 122 have clarified certain areas of digital asset accounting, many important questions remain unanswered under U.S. GAAP. These gaps require preparers and auditors to apply significant judgment and analogies to existing standards, often leading to inconsistent treatment across the industry.

Key areas of ambiguity include:

- **Staking rewards**: No definitive guidance on timing or classification of staking-related income. Staking revenue can be earned as every block (a matter of seconds in some PoS networks), making matters even more complex.
- **Airdrops and token grants**: Uncertainty on whether and when to recognize income for unsolicited or promotional token distributions.
- **Token swaps and wrapped tokens:** No formal position on whether swaps or bridged assets represent derecognition or new recognition events.
- **NFTs (non-fungible tokens):** No clear model for income recognition, valuation, or amortization for NFTs with utility or collectible value.

- **Stablecoin classification**: Most practitioners have taken the position that stablecoins do not qualify as cash or cash equivalents. However, this could be changing with formal rules and regulations such as the GENIUS Act providing a standard reporting and reserve framework.

These ongoing gaps mean professionals must continue to lean on reasonable policy positions, clear documentation, and proactive auditor engagement until further standard-setting occurs.

Crypto Accounting and Audit under US GAAP

Now that we understand the basics of US GAAP, we can now move on to how we can actually audit crypto assets and associated activities.

As alluded to previously, auditing crypto requires specialized knowledge and expertise for the auditor to know how to approach it. In this section, we outline, assertion-by-assertion, how an auditor can audit digital assets.

The Balance Sheet

Balance Sheet Presentation

First off, the auditor needs to understand how digital assets are presented on the balance sheet, and how it affects their audit procedures.

Digital assets are presented in **US Dollars (or another fiat reporting currency)**, on the balance sheet. However, this dollar amount is equivalent to a certain underlying amount of digital assets. With the new accounting changes mentioned above, these assets are held at fair market value. **Therefore, one of the first things the auditor should do is convert the USD Amount to Underlying Digital Assets Units to understand what they are going to actually test during the course of the audit**. In the case below, the auditor will be looking to audit 1BTC (with a FMV of $100K).

GL Account Group	Name	Amount	Digital Asset Units
Assets	Bitcoin	$100,000	1.00 BTC

GL Account Group	Name	Amount	Digital Asset Units
Liability	Accounts Payable	$5,000	
Equity	APIC	$95,000	

Balance Sheet Assertions:

Once the auditor understands what digital assets they are testing and how many are expected, they can begin to apply the auditor's assertions to begin testing.

1. Completeness

To confirm the "completeness" of the 1 BTC expected on the balance sheet, the auditor should perform the following procedures:

- **Obtain a comprehensive wallet list** – Request that the Company provide a full list of wallets holding the Bitcoin.
- **Monitor for missing wallets** – Inspect activity related to the bitcoin addresses provided (and potentially other wallets interacting with the addresses provided).
- **Analyze wallet flows** – Examine transaction activity to detect anomalies, particularly those involving potential related-party or founder wallets.

Auditors can use popular blockchain explorers they deem reliable for audit purposes, or tools like LedgerLens to streamline these audit procedures.

2. Existence

To confirm that the reported Bitcoin balances exist as of the balance sheet date, the auditor should:

- Obtain a list of wallets/addresses holding the bitcoin.
- Identify the block height corresponding to the balance sheet date on the **Bitcoin blockchain**. The block height is effectively how the blockchain keeps track of "time," and the auditor should convert the balance sheet date to the appropriate block height.
- Query the blockchain to retrieve balances at that block height, confirming the assets held at that point in time.
- Consider using specialized tools to efficiently extract balances from a large number of addresses.

If a company uses a 3rd party exchange or custodian to hold the assets, the auditor may consider "traditional" methods, like confirmations to confirm asset balances.

3. Valuation

To confirm the valuation of the BTC, The auditor should assess the valuation of Bitcoin based on the Company's principal market and accounting policies:

- **Bitcoin Valuation:** The auditor should consider where the company could sell and realize the value for the BTC and ensure it aligns with Company policy. The Company should assess the liquidity of the token, and if the quoted price is realizable. The auditor should consider timing of the valuation, such as **intra-day vs. end-of-day pricing**.

Coinbase Global, Inc.
Notes to Consolidated Financial Statements

Crypto assets held for operations

The Company may receive crypto assets as a form of payment for transaction revenue, blockchain rewards, custodial fee revenue, and other subscriptions and services revenue, which are recorded in Crypto assets held for operations in the Consolidated Balance Sheets when received. Crypto assets received as a form of payment are converted to cash or used to fulfill expenses, primarily blockchain rewards, nearly immediately. Crypto assets held for operations are initially recorded at the transaction price of the crypto assets at initial recognition and are subsequently remeasured at fair value at the end of each reporting period, with changes in fair value recognized in Gains on crypto assets held for operations, net in the Consolidated Statements of Operations. Realized gains and losses on disposition are recognized on a first-in-first-out basis. Fair value is measured using quoted crypto asset prices within the Company's principal market at the time of measurement. Gains and losses are influenced by the volume and mix of crypto assets received and used, and the timing of the turnover of these crypto assets. Cash flows from crypto assets held for operations are recorded as Net changes in operating assets and liabilities in the Consolidated Statements of Cash Flows.

Crypto assets held for investment

Crypto assets held for investment are primarily held long term. The Company does not engage in regular trading of these assets but may lend them through Prime Financing or stake them. When crypto assets that were loaned are returned, they continue to be held for investment. See *Note 4. Collateralized Arrangements and Financing* for details on Prime Financing activities.

Crypto assets held for investment are initially recorded at cost and are subsequently remeasured at fair value at the end of each reporting period, with changes in fair value recognized in Gains on crypto assets held for investment, net in the Consolidated Statements of Operations. Realized gains and losses

Coinbase measures crypto assets at fair value at the end of each reporting period.
Source: Coinbase 2024 Annual Report

4. Rights & Obligations

The auditor also needs to confirm that the Company actually owns and controls the addresses it claims to. If wallets are "self custody," there is no counterparty to confirm with, making testing

ownership of addresses particularly unique for digital assets. In this case, the auditor may use one of the following procedures:

- **Cryptographic Signature Test:**
  - Provide the client with a unique message (e.g., "Web3 Audit 12/31/25").
  - The client signs this message using their private key, producing a **signature digest**.
  - The auditor verifies the signature using cryptographic tools to confirm wallet ownership.
- **Send-to-Self Transaction:**
  - Instruct the client to send a predetermined amount of **Bitcoin** to another wallet they control.
  - This transaction must occur within a predefined time frame to verify control over private keys.

Both methods demonstrate that the Company has control over the private keys for the specified addresses. The auditor may consider **sampling wallets** based on the assessed level of risk.

If a company uses a 3rd party exchange or custodian to hold the assets, the auditor may consider "traditional" methods, like confirmations to confirm ownership.

5. Presentation & Disclosure

The Company should disclose its **valuation election** and accounting treatment for bitcoin within the **Notes to the Financial Statements**.

Additionally, the ASU requires entities to disclose the "name, cost basis, fair value, and number of units for each significant crypto asset holding." Entities must also disclose the aggregate cost basis and fair value of crypto assets that are determined not to be individually significant. While not required, entities may disclose narratively the number of insignificant crypto assets, aggregated into one line item within the footnote.

	For the Year Ended December 31, 20X4
Crypto assets held:	
Beginning balance at fair value	$ 130,000,000
Additions	60,000,000
Dispositions	(15,000,000)
Unrealized gain, net	50,500,000
Unrealized loss, net	(15,500,000)
Ending balance	$ 210,000,000

Source: Deloitte.

15

5. CRYPTO ASSETS HELD FOR OPERATIONS

The following table summarizes Crypto assets held for operations (in thousands, except units):

| | December 31, 2024 | | | December 31, 2023 |
	Units	Cost Basis	Fair Value	Carrying Value[1]
Ethereum	8,142	$ 21,843	$ 27,122	$ 15,775
Solana	69,280	14,526	13,245	10,275
Bitcoin	57	7,814	5,473	7,243
Other crypto assets[2]	nm	51,871	36,941	40,810
Total held for operations		$ 96,054	$ 82,781	$ 74,103

7. CRYPTO ASSETS HELD FOR INVESTMENT

The following table summarizes Crypto assets held for investment (in thousands, except units):

| | December 31, 2024 | | | December 31, 2023 |
	Units	Cost Basis	Fair Value	Carrying Value[1]
Bitcoin	6,885	$ 272,164	$ 642,738	$ 126,614
Ethereum	115,700	260,674	385,314	129,131
Other crypto assets[2]	nm	347,827	524,943	74,865
Total held for investment		$ 880,665	$ 1,552,995	$ 330,610

Coinbase's disclosure is consistent with ASU 2023-08.
Source: Coinbase 2024 Annual Report

The Income Statement

Income Statement Presentation

The income statement for crypto-related companies can be complex or simple, depending on the type of activities in the business.

If the company earns revenue denominated in digital assets or pays expenses in digital assets, the treatment becomes more complex.

Again, all activities are presented in **US Dollars (or another fiat reporting currency)**. However, these fiat amounts are equivalent to digital asset units *at the time* revenue is received on expenses are paid. The company likely also should recognize a realized gain/loss for assets received or disposed of, along with an unrealized gain/loss for digital assets still held at year end. Realized gains/losses should be calculated by comparing the BTC's historical cost basis with the fair value at disposal. The unrealized gain reflects the change in fair value for BTC still held as of the reporting date.

In the case below, the auditor will be looking to audit 1BTC (with a FMV of $100K).

GL Account Group	Name	Amount	Digital Asset Units
Revenue	Bitcoin	$65,000	2.00 BTC
Expenses	Salaries	($25,000)	1.05 BTC
Gain/Loss	Realized G/L	$5,000	Disposed 1.00 BTC as Salaries (0.05 as Payable)
Gain/Loss	Unrealized G/L	$50,000	On remaining 1 BTC
Income	Net Income	$95,000	

1. Completeness

The auditor must ensure that the revenue and expense data is **complete**, as the key risk is the **overstatement** of revenue or understatement of **expenses**, potentially inflating reported earnings and assets. To address this, the auditor should:

- Obtain **comprehensive reports** detailing all revenue and expense transactions. These reports need to have the price of bitcoin at the time of acquisition and disposals to ensure the initial cost basis (and subsequent realized and unrealized gain/loss) can be calculated from these reports.
- Ensure that revenue and expense calculations are **accurate and complete**, using either **custom queries** or standardized **("canned") reports** from the Company's system.

2. Occurrence

To confirm that revenue and expenses transactions **actually occurred**, the auditor should:

- **Select a sample of transactions**
- **Verify the associated transactions actually took place.** In many cases, the auditor can view the transaction details directly on the Bitcoin blockchain to ensure the timing, amount, and FMV at the time of transaction occurred.
- **Supplement with outside data**: Not all data is viewable on the blockchain. For example, the counterparty and purpose of the transaction is not viewable on chain. Therefore, the auditor should supplement blockchain data, with records from the company to validate transaction occurred for its purpose represented by the Company.

3. Accuracy & Valuation

The auditor should verify:

- The fair market value of the BTC received or sent **at the time** of revenue of expense recognition.
- Auditors can view data on blockchain explorers or use tools like LedgerLens to derive this data. However, if the Company also uses a "crypto accounting subledger" to track cost basis at acquisition and associated gains/loss, the audit procedures can be completed much easier with supplementary data provided by the auditee.

4. Cutoff

The auditor must ensure that:

- Revenue and expense transactions are recorded **in the correct reporting period** and were **actually incurred during the audit period**. Blockchains are actually great for timestamping transactions, so transactions can be validating "on-chain" many times.
- However, accruals still need to be tested using "traditional" methods, as the associated transactions have not "settled" on chain and therefore should not be validated as such.

5. Classification

The auditor should review the **different types of revenue and expenses during the period** and group as appropriate, similar to any traditional audit under US GAAP or IFRS.

6. Presentation & Disclosure

In line with **financial reporting standards** and **Company policy**, the exchange should:

- Disclose its **revenue recognition and expense policies** within the **Notes to the Financial Statements**.
- Clearly define the **nature of revenue** and any **other revenue categories**, ensuring proper classification and disclosure.

Coinbase Global, Inc.
Notes to Consolidated Financial Statements

3. REVENUE

The following table presents revenue of the Company disaggregated by type (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Net revenue			
Transaction revenue			
Consumer, net[1]	$ 3,430,322	$ 1,334,018	$ 2,123,368
Institutional, net	345,598	90,164	119,344
Other transaction revenue, net[1]	210,193	95,472	113,532
Total transaction revenue	3,986,113	1,519,654	2,356,244
Subscription and services revenue			
Stablecoin revenue[2]	910,464	694,247	245,710
Blockchain rewards	705,757	330,885	275,507
Interest and finance fee income[3][4]	265,799	186,685	82,395
Custodial fee revenue	141,706	69,501	79,847
Other subscription and services revenue[4]	283,407	125,568	109,112
Total subscription and services revenue	2,307,133	1,406,886	792,571
Total net revenue	6,293,246	2,926,540	3,148,815
Other revenue			
Corporate interest and other income[2]	270,782	181,843	45,393
Total other revenue	270,782	181,843	45,393
Total revenue	$ 6,564,028	$ 3,108,383	$ 3,194,208

Coinbase's different revenue types, with clear revenue recognition policy in its annual report
Source: Coinbase 2024 Annual Report

NOTE 5: REVENUES

Disaggregation of Revenues

The following table presents our revenues disaggregated by revenue source:

(in millions)	Year Ended December 31,		
	2022	2023	2024
Transaction-based revenues:			
Options	$ 488	$ 505	$ 760
Cryptocurrencies	202	135	626
Equities	117	104	177
Other	7	41	84
Total transaction-based revenues	814	785	1,647
Net interest revenues:			
Margin interest	177	243	319
Interest on segregated cash, cash equivalents, securities, and deposits	57	210	261
Interest on corporate cash and investments	103	288	256
Cash Sweep	22	123	179
Securities lending, net	89	79	94
Credit card, net	—	9	24
Interest expenses related to credit facilities	(24)	(23)	(24)
Total net interest revenues	424	929	1,109
Other revenues:			
Gold subscription revenues	68	75	109
Proxy revenues	44	61	60
Other	8	15	26
Total other revenues	120	151	195
Total net revenues	$ 1,358	$ 1,865	$ 2,951

Robinhood's different revenue types, with revenue recognition policy in its annual report
Source: Robinhood 2024 Annual Report

Note on the Statement of Cash Flows:

Digital assets are "non-cash" items, and therefore should be treated as such on the statement of cash flows. Even stablecoins are typically not considered "cash". Therefore, this can make auditing the statement of cash flows particularly tricky, especially if the company is operating with and using stablecoins to receive revenue and pay for expenses. The auditor should be particularly diligent when auditing the Statement of Cash Flows with this in mind.
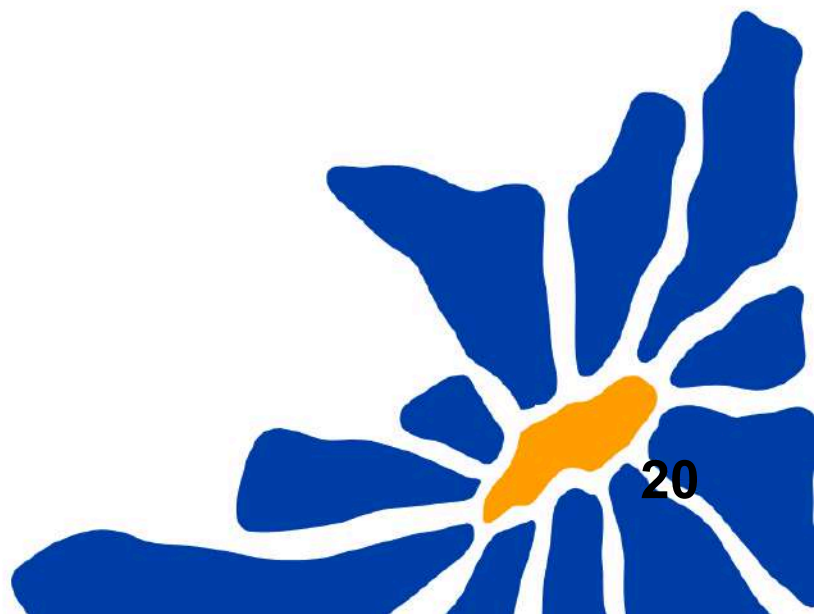
Filling the Remaining Gaps

While Financial Audits are extremely important for accounting, transparency, and investor reporting, gaps remain in the need for reporting for certain types of crypto companies.

For example, most audited financial statements are not widely distributed (unless they are a Public Issuer). In those instances, the public has no inclination as to the health of the underlying company they are entrusting their assets to. Additionally, audits are typically only performed annually, and the desire for more frequent transparency has been desired by the public, especially for stablecoin issuers, exchanges, and ETFs.

Enter Proof of Reserves

The concept of Proof of Reserves (PoR) was introduced in response to the 2013 Mt. Gox collapse, a watershed event that underscored the urgent need for transparency in the cryptocurrency space. Originally, PoR was used by crypto exchanges to demonstrate that they held enough assets to fully support user balances. Since then, its application has expanded considerably. Today, PoR is also used to verify holdings behind a broader array of digital financial instruments—such as stablecoins, asset-backed tokens, and exchange-traded funds (ETFs)—as part of broader efforts to build trust and promote financial integrity within the ecosystem.

Proof of Reserves (PoR) is a method adopted by crypto firms to demonstrate that their on-chain assets are sufficient to cover user liabilities. This procedure is narrowly focused and designed to reassure both customers and stakeholders that all user funds are fully backed by the company's actual holdings.

The process typically involves three key steps:

- **Asset Validation**: The organization uses cryptographic tools—such as signing messages with private keys or initiating "self-transfer" transactions—to prove it controls the reported cryptocurrency balances.
- **Liability Aggregation**: Customer obligations are compiled into a pseudonymous list, allowing individuals to confirm their own inclusion, often through a Merkle Tree structure without compromising privacy.
- **Independent Assessment**: A third-party auditor is engaged to examine the relationship between the verified assets and the reported liabilities, ultimately issuing a report on whether they are properly matched.

PoR is valued for its public visibility, its reliance on blockchain-native verification techniques, and its emphasis on maintaining customer confidence.

3rd Party	PoR Assets	PoR Liabilities
Stablecoin Issuer	Fiat, treasuries, and cash equivalents held in a bank accounts.	Stablecoin Tokens issued on blockchains
Asset-Backed Token Issuer	Assets, such as precious metals, held in a vault.	Stablecoin Tokens issued on blockchains
Exchange	Digital Assets deposited by Customers	Account Balances on the Exchanges Database
ETFs	Digital Assets held in Custody	ETF Security Instruments Issued

Since around 2018, independent attestations conducted by public accounting firms have become the accepted norm across the digital asset industry. These engagements are generally performed under internationally recognized standards—**ISAE 3000** for global contexts, and **AT-C 205** in the United States.

It's important to note that these attestation engagements are **not** equivalent to full audits of financial statements, nor are they meant to be. A comprehensive financial statement audit involves examining the entirety of an entity's financial health, including the balance sheet, income statement, cash flows, and accompanying disclosures. These audits are often time- and resource-intensive, typically occurring on an annual basis and requiring months of work from both the company and its auditors. Moreover, unless the entity is publicly traded, the audited financials are not usually released to the public.

In contrast, **Proof of Reserves (PoR)** attestations are more focused in scope. They aim to provide assurance on whether specific assets—such as those backing exchange customer balances, stablecoin liabilities, tokenized assets, or ETF units—are fully supported by appropriate reserves. While these engagements apply the same professional scrutiny as a financial audit, they are limited in scope to reduce complexity and enable more frequent reporting. This narrower focus eases operational burdens while still delivering meaningful transparency to stakeholders.

Findings Table as of 11:59PM UTC on June 30, 2025 (rounded to the 2nd decimal):

	Client Liabilities	In-kind Assets	Chains of Underlying Assets	Collateralization Ratio
BTC	151,578.14	185,066.31 BTC	Bitcoin	105%+
		11.89 kBTC	Optimism	
		9.30 kBTC	Ethereum	
		59.99 kBTC	Unichain	
		42.59 kBTC	Ink	
ETH	2,719,047.20	1,353,187.57 ETH	Ethereum	101.43%
		51,231.19 ETH	Arbitrum	
		1,056.10 ETH	Arbitrum Nova	
		14,920.40 WETH	Polygon	
		8,950.15 ETH	Optimism	
		3,249.70 ETH	Ink	
		2,223.08 ETH	Linea	
		12,839.12 ETH	Base	
		3,660.50 ETH	ZKsync	
		29,836.90 ETH	Unichain	
		1,276,736.00 Staked ETH	Ethereum (Beacon Chain)	
SOL	11,727,763.57	5,758,941.64 SOL	Solana	100.67%
		6,047,922.58 Staked SOL		
USDC	936,103,183.38	688,536,877.25 USDC	Ethereum	105%+
		81,650,177.88 USDC	Polygon	
		52,934,804.36 USDC	Arbitrum	
		837.15 USDC	Unichain	
		8,009,780.73 USDC	SUI	
		4,333,645.52 USDC	Sonic	
		68,025.32 USDC	Tron	
		12,100,356.01 USDC	Optimism	
		5,483,459.43 USDC	Avalanche	
		32,468,998.40 USDC	Base	
		212,453,467.40 USDC	Solana	

	Client Liabilities	In-kind Assets	Chains of Underlying Assets	Collateralization Ratio
USDT	491,235,681.59	275,752,220.54 USDT	Ethereum	105%+
		16,225,552.79 USDT	Avalanche	
		56,573,446.15 USDT	Optimism	
		21,382,804.03 USDT0	Arbitrum	
		374,621,633.79 USDT	Tron	
		3.50 USDT	Base	
		62,271,386.30 USDT0	Ink	
		44,975,533.67 USDT0	Unichain	
		4,784,865.32 BSC-USD	BSC	
		5,811,218.01 USDT	Polygon	
		16,395,937.93 USDT	The Open Network	
		1,244,256.22 USDT0	Flare	
		13984031.48 USDT	Solana	
XRP	1,095,574,452.37	1,122,418,046.11 XRP	XRP Ledger	102.45%
ADA	1,158,813,627.07	504,375,184.49 ADA	Cardano	100.47%
		659,905,046.55 Staked ADA		

An excerpt from Kraken's PoR attestation report as of June 30, 2025
Source: Kraken, The Network Firm LLP

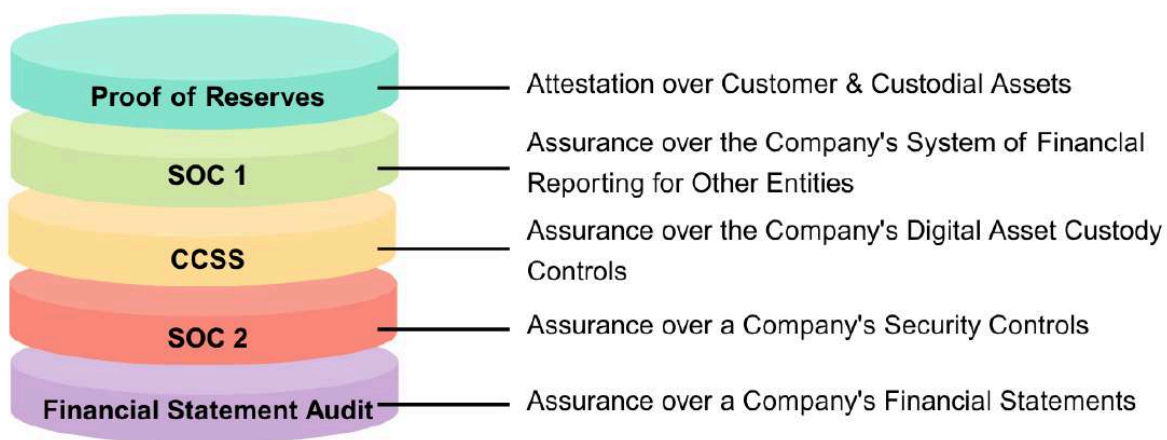# Comparison of Financial Audits and Proof of Reserves

	Proof of Reserves	Financial Statement Audit/PoS
Testing Approach	100% coverage of subject | ZK logic testing	Sample Testing
Customer Verification of Inclusion	Yes - Public & privacy preserving via Merkle Tree or Tokens & Notes	No
Prove In-Kind Reserves	Yes	Potentially, but not necessarily
Report Distribution	Intended Users - Current & Prospective Clients	Limited - unless Public Company
Frequency	As frequent as "Real Time"	Annual
Cost	Low to medium	High
Level of Detail	As detailed as desired	Limited to Reporting Requirements SAB121 Overturned - off bs?
Bankruptcy Protection	Potentially, but not necessarily	Potentially, but not necessarily

Conclusion: A Layered Approach to Assurance in a US GAAP World

As the digital asset industry matures, regulatory clarity and technical assurance must evolve in tandem. Recent developments—such as **ASU 2023-08** and **SAB 122**—signal a landmark shift in how crypto is accounted for under **US GAAP**, moving from legacy impairment models to fair value and from overstatement of custodial liabilities to principles-based judgment.

However, **assurance in crypto** extends far beyond compliance with financial reporting standards. It now operates across a **multi-layered stack**, each tier providing a different lens of trust and transparency:

Layer	Description
Proof of Reserves	Attestation over Customer & Custodial Assets
SOC 1	Assurance over the Company's System of Financial Reporting for Other Entities
CCSS	Assurance over the Company's Digital Asset Custody Controls
SOC 2	Assurance over a Company's Security Controls
Financial Statement Audit	Assurance over a Company's Financial Statements

Together, these layers form a complete assurance architecture—anchored by US GAAP compliance but enriched by crypto-native innovations like Proof of Reserves. For CFOs, controllers, auditors, and industry leaders, understanding how these layers interact is critical to building sustainable, transparent, and trustworthy organizations in the digital asset space.

Contributors

The successful compilation of this report was a collaborative effort, and its completion would not have been possible without the valuable assistance of **KoinX** and **LedgerLens**.

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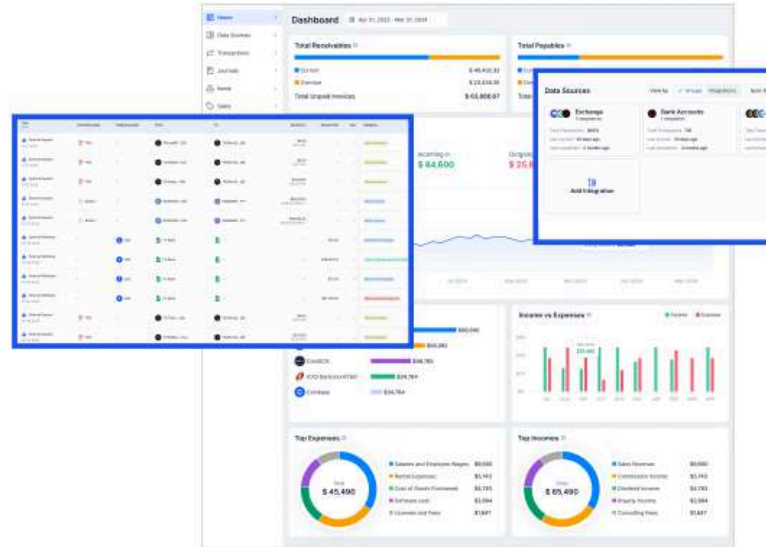

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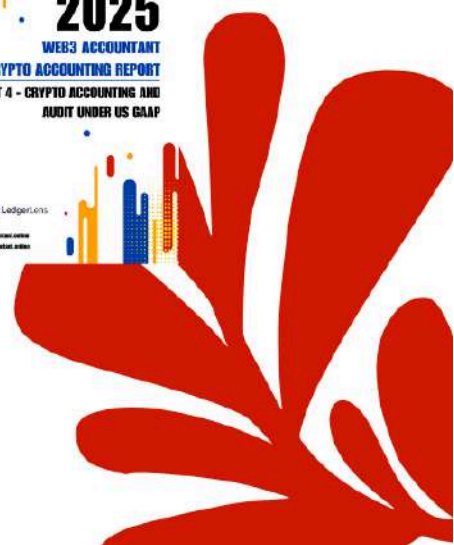
Crown Jewel - The 2025 Web3 Accountant Crypto Accounting Report - Deep Dive on MAS Licensed Crypto Entities will include findings from more than 20 audited financial statements of MAS Licensed Crypto Entities will be released on 30 September 2025, at our Web3 Accountants Meet. (Sign up now for early receipt @ web3accountant.online)

Part 1 - IFRS Accounting for Crypto and Stablecoins (Released 30 July 2025)

Part 2 - Singapore Crypto Tax Guide 2025 (Released 6 August 2025)

Part 3 - 20 Basic Crypto Terms and Basic Finance Forms (Released 20 August 2025)

Part 4 - Crypto Accounting and Audit under US GAAP (This Report)

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