

Bitcoin Blueprint For Corporate Balance Sheets

Summary

This memo provides an update on Block, Inc.'s ("Block") strategy for company-owned bitcoin held for investment purposes ("bitcoin investment"), including our historical purchase execution, storage mechanics, and insurance and accounting considerations. We also provide an overview of our new corporate bitcoin purchase program and the launch of Square's Bitcoin Conversions product.

We view bitcoin as an instrument of global economic empowerment; it is a way for individuals around the world to participate in a global monetary system and secure their own financial future. We've chosen to open source this documentation to clearly articulate the process behind our purchase as others consider similar moves.

Our Bitcoin Ecosystem

We believe our bitcoin ecosystem can help address inefficiencies in the current global financial system. Our bitcoin ecosystem includes our Cash App product, which provides customers the ability to buy and sell bitcoin; TBD, which is an open developer platform focused on making the decentralized financial world accessible for everyone; our bitcoin hardware projects, which include Bitkey, a self-custody bitcoin wallet, and a bitcoin mining system; and Spiral, an independent team focused on contributing to bitcoin open source work.

Historical Execution

On October 7, 2020, Block (then Square) [purchased](#) 4,709 bitcoins at an aggregate purchase price of \$50 million at \$10,618 per BTC. Subsequently, in February, 2021, we [purchased](#) an additional 3,318 bitcoins at an aggregate price of \$170 million at \$51,236 per BTC. As of March 31, 2024, we hold 8,038 bitcoins on our balance sheet, which

represents approximately 9% of Block's total cash, cash equivalents, and marketable securities.

To maintain transaction privacy and price slippage on execution, we purchased the bitcoin over the counter through a bitcoin liquidity provider. We negotiated a spread on top of a public bitcoin index and executed trades using a Time-Weighted Average Price (TWAP) over a predetermined 24-hour period with low expected price volatility and high market liquidity to reduce risks associated with cost and pricing. Criteria that we evaluated when selecting our liquidity provider included pricing, annual trade desk volume, and integrations with our existing trading and settlement rails.

Purchase Strategy

With the launch of Square's Bitcoin Conversions product, which allows sellers to automatically convert a portion of their sales into bitcoin holdings, we are announcing our new corporate balance sheet dollar cost average ("DCA") program, under which each month we will be investing 10% of Block's monthly gross profit¹ from bitcoin products into purchases of bitcoin for investment. As an evolution from our previous strategy of purchasing bitcoin in lump sums, the program brings a principled investment approach to Block's commitment to the asset class.

Under the DCA program, we plan to purchase bitcoin on a monthly cadence utilizing TWAP orders, starting April 2024. We will execute these over a shorter time window due to lower notional trade values and improved bitcoin liquidity compared to 2020 and 2021. To reduce slippage, we have chosen to purchase bitcoin over a two-hour window that has historically had the greatest amount of liquidity.

By allocating a portion of our monthly bitcoin gross profits to bitcoin investment on a predetermined and recurring cadence, we sidestep the challenges of market timing. The price of bitcoin can be highly volatile and hard to predict as its price action doesn't always correlate with existing asset classes. We believe this approach enables us to optimize our long-term investment position while minimizing the price risks associated with attempting to aggregate less frequent, larger purchases.

¹ Monthly gross profit from bitcoin products includes gross profit Block receives from (i) Cash App customer buying and selling bitcoin, (ii) Cash App bitcoin withdrawals and (iii) other Bitcoin products from Block's emerging initiatives. For April 2024, the amount purchased under the DCA was \$4.4 million.

Custody

Digital assets like bitcoin require private keys to access and move funds. Securing these private keys is important because transfers are irrevocable. Block has invested heavily in building out our bitcoin infrastructure. Since launching bitcoin support, we have developed a robust approach to bitcoin cold storage and recognize the importance of sharing our work with the community. In October 2020, we [open-sourced](#) documentation, code, and tools for [Subzero](#), our Hardware Security Module-backed solution for protecting our customers' and Block's bitcoin holdings. For those looking to outsource custody, there are several third-party providers readily available.

Insurance

Although our bitcoin investments are held offline in cold storage, Block maintains insurance policies to protect against internal or external theft of bitcoin in both hot wallets and cold storage. There are different types of insurance available to protect against loss of cryptocurrency depending on whether the assets are held in hot wallets or cold storage. Crime programs cover theft or digital loss of physical assets in hot or cold storage, whereas Specie programs cover only loss of assets in cold storage on specifically designated premises and may not cover against all cases of insider theft. It is important to evaluate where the digital assets are stored and what level of insurance coverage is provided before selecting a custodian.

Accounting

The cryptocurrency accounting guidance continues to evolve. According to AICPA's "[Accounting for and auditing of Digital Assets practice aid](#)," bitcoin would meet the definition of an indefinite-lived intangible asset and would be accounted for under FASB ASC 350, Intangibles — Goodwill and Other. Such assets are accounted for initially at cost and are subject to impairment losses if the fair value decreases below carrying value. In December of 2023, the Financial Accounting Standards Board issued [Accounting Standards Update No. 2023-08, Accounting for and Disclosure of Crypto Assets](#) ("ASU 2023-08"), which changed bitcoin accounting treatment. Block adopted ASU 2023-08 early for its year-end December 31, 2023, financial statements. With the adoption of the new guidance, bitcoin would be re-measured to fair value with

changes recognized in net income. For more information, please refer to Block's publicly available financial statements, which can be found on our [Investor Relations webpage](#).

Bitcoin & Financial Inclusion

In 2021, Block launched the Discovery Grant as part of our \$100M commitment to racial equity and social impact investments. The giving vehicle's mission is to support nonprofit organizations around the world working at the intersection of bitcoin and financial inclusion for historically underserved groups. As a technology company with an ecosystem of products and services focused on economic empowerment and enhancing access to the economy, it's important we use additional support mechanisms like our Discovery Grant to help advance our purpose across the globe. More details can be found in our latest 2023 CSR Report [here](#).

Disclaimers

Tax Disclaimer

We acknowledge that the tax treatment of bitcoin is complex and subject to change. Block does not provide tax advice. Readers should consult a tax advisor with respect to the tax treatment of any transactions involving bitcoin.

Not Investment Advice

This memo is for informational purposes only. Individuals and entities should not construe any such information as legal, tax, investment, financial, accounting, or other advice. Nothing contained in this memo constitutes a recommendation or endorsement by Block, Inc. to buy or sell bitcoin, cryptocurrencies, or other financial instruments.

