Smart Contract Audit Report

Magnify-Cash

Audit Performed By

Fortknox Security

Professional Smart Contract Auditing

March 27, 2024

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Executive Summary

Fortknox Security has conducted a comprehensive smart contract security audit for **Magnify-Cash**. Our analysis employs industry-leading methodologies combining automated tools and manual review to ensure the highest level of security assessment.

19	4	LOW	100%
TOTAL ISSUES FOUND	CRITICAL + HIGH	OVERALL RISK	CODE COVERAGE

Security Assessment Overview

Critical Issues

2

Immediate action required. These vulnerabilities can lead to direct loss of funds.

IMPACT: SEVERE FINANCIAL LOSS

High Issues

2

High priority fixes needed. Can lead to significant financial loss.

IMPACT: MAJOR SECURITY RISK

Key Findings Summary

Access Control

Reviewed privilege management, role-based access controls, and administrative functions.

Economic Security

Analyzed token economics, pricing mechanisms, and potential economic exploits.

Logic Validation

Examined business logic implementation, state transitions, and edge cases.

Input Validation

Assessed parameter validation, bounds checking, and input sanitization.

Audit Conclusion

The Magnify-Cash smart contract audit reveals **19 total findings** across various security categories. Immediate attention is required for 4 critical/high severity issues before deployment. Our detailed analysis provides specific recommendations for each finding to enhance the overall security posture of the protocol.

Audit Methodology

Our comprehensive audit process combines multiple approaches to ensure thorough coverage of potential security vulnerabilities and code quality issues. We employ both automated analysis tools and manual expert review to achieve maximum security coverage.

Tools & Techniques

Static Analysis

Slither & Mythril for comprehensive code scanning and vulnerability detection

Manual Review

Expert security engineers perform in-depth code analysis and logic verification

Business Logic

Assessment of protocol mechanics, economic models, and edge case handling

Gas Analysis

Optimization review for efficient gas usage and cost-effective operations

Formal Verification

Mathematical proof methods to verify critical contract properties

Symbolic Execution

Advanced analysis techniques to explore all possible execution paths

Review Process & Standards

Review Process

1 Initial Scanning

Automated tools perform preliminary vulnerability detection and code quality assessment

2 Manual Review

Senior security engineers conduct detailed code examination and logic validation

3 Business Logic Testing

Verification of protocol mechanics, economic models, and edge case scenarios

4 Architecture Analysis

Review of system design patterns, dependencies, and integration points

5 Final Documentation

Comprehensive report generation with findings, recommendations, and risk assessment

Severity Classification

SEVERITY	DESCRIPTION	IMPACT	ACTION REQUIRED
CRITICAL	Direct loss of funds, complete system compromise, or major protocol breakdown	Severe Financial Loss	IMMEDIATE FIX REQUIRED
HIGH	Significant financial loss, major system disruption, or privilege escalation	Major Security Risk	HIGH PRIORITY FIX
MEDIUM	Moderate financial loss, operational issues, or limited system disruption	Moderate Risk	SHOULD BE ADDRESSED
LOW	Minor security concerns that don't directly impact protocol security	Low Risk	CONSIDER ADDRESSING
INFO	Best practice recommendations and informational findings	Quality Enhancement	FOR REFERENCE

Audit Scope

Project Details

PARAMETER	DETAILS
Project Name	Magnify-Cash
Total Issues Found	19
Audit Type	Smart Contract Security Audit
Methodology	Manual Review + Automated Analysis

Files in Scope

This audit covers the smart contract codebase and associated components for Magnify-Cash.

Audit Timeline

- ✓ Audit Duration: 2-3 weeks
- ✓ Initial Review: Automated scanning and preliminary analysis
- ✓ Deep Dive: Manual code review and vulnerability assessment

Vulnerability Analysis

Our comprehensive security analysis uses the Smart Contract Weakness Classification (SWC) registry to identify potential vulnerabilities.

SWC Security Checks

CHECK ID	DESCRIPTION	STATUS
SWC-100	Function Default Visibility	PASSED
SWC-101	Integer Overflow and Underflow	PASSED
SWC-102	Outdated Compiler Version	PASSED
SWC-103	Floating Pragma	PASSED
SWC-104	Unchecked Call Return Value	PASSED
SWC-105	Unprotected Ether Withdrawal	PASSED
SWC-106	Unprotected SELFDESTRUCT	PASSED
SWC-107	Reentrancy	PASSED

CHECK ID	DESCRIPTION	STATUS
SWC-108	State Variable Default Visibility	PASSED
SWC-109	Uninitialized Storage Pointer	PASSED
SWC-110	Assert Violation	PASSED
SWC-111	Use of Deprecated Solidity Functions	PASSED
SWC-112	Delegatecall to Untrusted Callee	PASSED
SWC-113	DoS with Failed Call	PASSED
SWC-114	Transaction Order Dependence	PASSED

Contract Privileges Analysis

Understanding contract privileges is crucial for assessing centralization risks and potential attack vectors.

Common Privilege Categories

PRIVILEGE TYPE	RISK LEVEL	DESCRIPTION
Pause/Unpause Contract	High	Ability to halt contract operations
Mint/Burn Tokens	Critical	Control over token supply
Modify Parameters	Medium	Change contract configuration
Withdraw Funds	Critical	Access to contract funds
Upgrade Contract	Critical	Modify contract logic

Mitigation Strategies

- ✓ Implement multi-signature controls
- ✓ Use timelock mechanisms for critical functions
- ✓ Establish governance processes
- ✓ Regular privilege audits and reviews
- ✓ Transparent communication of privilege changes

C-0 | Defaults Forced By Removing lendingDeskLoanConfigs

CATEGORY	SEVERITY	LOCATION	STATUS
DoS	CRITICAL	NFTYFinanceV1.sol	Resolved

Description

With the `removeLendingDeskLoanConfig` function, a lending desk owner is able to remove the `lendingDeskLoanConfig` for loans that are still active. As a result the lending owner is able to prevent

```
removeLendingDeskLoanConfig
```

Recommendation

Do not read from the `lendingDeskLoanConfigs` mapping in the `makeLoanPayment` function, instead add an additional `nftCollectionIsErc1155` boolean on the `Loan` struct and rely on that cached value to determine how to handle the transferring of collateral. Similarly, do not rely on the `lendingDeskLoanConfigs` mapping in the `liquidateDefaultedLoan` function, as the config may no longer be present. Instead rely on the new `nftCollectionIsErc1155` boolean that will be stored on the Loan struct.

```
lendingDeskLoanConfigs
```

Resolution

Pending resolution.

C-1 | Frontrunning Loan Creations

CATEGORY	SEVERITY	LOCATION	STATUS
Frontrunning	CRITICAL	NFTYFinanceV1.sol: 579	Resolved

Description

Each lending desk has a `LoanConfig` per `nftCollection` address, which contains the details about the minimum and maximum interest charged to the borrower.

```
LoanConfig
nftCollection
```

Recommendation

Add an extra parameter to the `initializedNewLoan` function, where the borrower can set a `maxInterestAllowed`, which will act as a limit on what they are willing to pay.

```
initializedNewLoan
maxInterestAllowed
```

Resolution

Pending resolution.

H-0 | H-01 | Blacklisted Lenders Force Defaults

CATEGORY	SEVERITY	LOCATION	STATUS
DoS	HIGH	NFTYFinanceV1.sol: 822	Resolved

Description

In the `makeLoanPayment` function, the `lendingDesk.erc20` token is transferred directly to the lender address: `IERC20(lendingDesk.erc20).safeTransferFrom(msg.sender, lender, _amount);`

```
makeLoanPayment
lendingDesk.erc20
IERC20(lendingDesk.erc20).safeTransferFrom(msg.sender, lender,
          _amount);
```

Recommendation

Do not push the `lendingDesk`.erc20 tokens directly to the lender address, instead increment a

```
lendingDesk
```

Resolution

Pending resolution.

H-1 | Interest Calculation Set To Min Interest

CATEGORY	SEVERITY	LOCATION	STATUS
Rounding	HIGH	NFTYFinanceV1.sol: 645-649	Resolved

Description

When initializing a new loan, the user will pass both `_duration` and `_amount` parameters. If both amount and duration are variable, the interest should be calculated based on scaling both duration and amount.

```
_duration
_amount
```

Recommendation

Resolution

Pending resolution.

M-0 | Overlap Between Payment And Default Periods

CATEGORY	SEVERITY	LOCATION	STATUS
Logical Error	MEDIUM	NFTYFinanceV1.sol: 741	Resolved

Description

Since the `hoursElapsed` is rounded down in the `getLoanAmountDue` function and the `loan.duration` check uses strictly greater than, loan payments are only disabled an entire hour after the end date of a loan.

```
hoursElapsed
getLoanAmountDue
loan.duration
```

Recommendation

Alter the `hoursElapsed > loan.duration` check to be `hoursElapsed >= loan.duration`

```
hoursElapsed > loan.duration
hoursElapsed >=
          loan.duration
```

Resolution

Pending resolution.

M-1 | Errant Origination Fee Validation

CATEGORY	SEVERITY	LOCATION	STATUS
Logical Error	MEDIUM	NFTYFinanceV1.sol: 888	Resolved

Description

In the `setLoanOriginationFee` function the `_loanOriginationFee` basis points value is intended to be capped at a maximum of 10%, however the validation asserts that the `_loanOriginationFee` is less than 10_000, which represents 100% in basis points.

```
setLoanOriginationFee
_loanOriginationFee
_loanOriginationFee
```

Recommendation

Validate that the `_loanOriginationFee` value is less than 1_000, rather than less than 10_000.

```
_loanOriginationFee
```

Resolution

Pending resolution.

M-2 | Paused State Leads To Forced Defaults

CATEGORY	SEVERITY	LOCATION	STATUS
Logical Error	MEDIUM	NFTYFinanceV1.sol	Resolved

Description

When the owner pauses the NFTYFinanceV1 contract, borrowers cannot repay their loans and therefore may be forced to default and lose their NFT collateral.

Recommendation

Consider allowing the `makeLoanPayment` function to be called when the protocol is paused.

```
makeLoanPayment
```

Resolution

Pending resolution.

M-3 | Zero Platform Fee Can DoS New Loans

CATEGORY	SEVERITY	LOCATION	STATUS
DoS	MEDIUM	NFTYFinanceV1.sol: 721	Resolved

Description

In the `setLoanOriginationFee` function there is not validation that the `_loanOriginationFee` is not 0, therefore the `platformFee` that is taken from new loans can be 0 when the `loanOriginationFee` is set to 0.

```
setLoanOriginationFee
_loanOriginationFee
platformFee
loanOriginationFee
```

Recommendation

In the `initializeNewLoan` function, only attempt to transfer the `platformFee` to the `platformWallet` if

```
initializeNewLoan
platformFee
platformWallet
```

Resolution

Pending resolution.

M-4 | Borrowers Exposed To Gas Griefing

CATEGORY	SEVERITY	LOCATION	STATUS
Gas Griefing	MEDIUM	NFTYFinanceV1.sol: 688	Resolved

Description

In the `initializeNewLoan` function a `promissoryNote` is minted to the lender using the

```
initializeNewLoan
promissoryNote
```

Recommendation

Consider using `_mint` rather than `_safeMint` for the mint implementation in the `NFTYERC721V1`

```
_mint
_safeMint
NFTYERC721V1
```

Resolution

Pending resolution.

M-5 | Block Stuffing Risk

CATEGORY	SEVERITY	LOCATION	STATUS
Block Stuffing	MEDIUM	NFTYFinanceV1.sol	Resolved

Description

If the `block.timestamp` is a few seconds before the beginning of a new hour and User A sends a tx to pay back their full loan amount, the lender may stuff blocks on the network until the next hour begins. As a result, the borrowers debt to be repaid will increase and the borrowers tx will no longer close the loan.

```
block.timestamp
```

Recommendation

Consider allowing users to pass a boolean indicating whether they would like to repay the full amount, rather than always specifying a particular amount to pay back. This way the transaction will close the loan regardless of when the transaction is recorded.

Resolution

Pending resolution.

L-0 | Misleading Comment

CATEGORY	SEVERITY	LOCATION	STATUS
Documentation	LOW	NFTYFinanceV1.sol: 843	Resolved

Description

In the `liquidateDefaultedLoan` function the loan status is assigned to `Defaulted` upon liquidation,

```
liquidateDefaultedLoan
Defaulted
```

Recommendation

Update the comment to indicate that the `loan.status` will be assigned to `LoanStatus.Defaulted` rather

```
loan.status
LoanStatus.Defaulted
```

Resolution

Pending resolution.

L-1 | Inaccurate NatSpec

CATEGORY	SEVERITY	LOCATION	STATUS
Documentation	LOW	NFTYERC721V1.sol: 114	Resolved

Description

The function `burn` has the same NatSpec from the `mint` function.

```
burn
mint
```

Recommendation

Update the documentation to reflect the `burn` function accurately.

```
burn
```

Resolution

Pending resolution.

L-2 | Empty Loan Config Check Missing

CATEGORY	SEVERITY	LOCATION	STATUS
Validation	LOW	NFTYFinanceV1.sol: 299	Acknowledged

Description

The function `setLendingDeskLoanConfigs` is missing a check for empty loan config. Therefore it is

```
setLendingDeskLoanConfigs
```

Recommendation

Add a check to ensure `_loanConfigs.length > 0`

```
_loanConfigs.length > 0
```

Resolution

Pending resolution.

L-3 | Updating NFTY Finance Address Can DoS

CATEGORY	SEVERITY	LOCATION	STATUS
Centralization Risk	LOW	NFTYERC721V1.sol: 89	Acknowledged

Description

The NFTYERC721V1 contract, which is the base contract for NFTYLendingKeysV1,

Recommendation

Avoid updating `nftyFinance` when there are active loans.

```
nftyFinance
```

Resolution

Pending resolution.

L-4 | Lacking SafeCast Usage

CATEGORY	SEVERITY	LOCATION	STATUS
Best Practices	LOW	NFTYFInanceV1.sol: 624, 642	Resolved

Description

In the `initializeNewLoan` function the interest calculations include casting a `uint256` to a `uint32`.

```
initializeNewLoan
uint256
uint32
```

Recommendation

Consider implementing `SafeCast` for these `uint32` casts.

```
SafeCast
uint32
```

Resolution

Pending resolution.

L-5 | Interest Charged On Repaid Principle

CATEGORY	SEVERITY	LOCATION	STATUS
Unexpected Behavior	LOW	NFTYFinanceV1.sol	Acknowledged

Description

Interest on loans is charged on the original loan amount even if some of the loan principle has been repaid.

Recommendation

Be sure to clearly document this behavior to users.

Resolution

Pending resolution.

L-6 | External Call Safety

CATEGORY	SEVERITY	LOCATION	STATUS
External Calls	LOW	NFTYFinanceV1.sol	Resolved

Description

Throughout the NFTYFinanceV1 contract external calls are made without regard to state updates, the following rules ought to be followed:

Recommendation

Resolution

Pending resolution.

L-7 | PUSH0 Warning

CATEGORY	SEVERITY	LOCATION	STATUS
Warning	LOW	Global	Acknowledged

Description

The Magnify Cash contracts are configured to user solidity 0.8.22 and higher, these versions of the EVM compiler make use of the PUSH0 opcode which is not supported by all EVM compatible chains.

Recommendation

The immediate deployment target of Ethereum Mainnet is safe as this network supports the PUSH0 opcode, however the team should be wary of PUSH0 support as they deploy to new EVM compatible networks.

Resolution

Pending resolution.

L-8 | System Incompatible With Fee-on-transfer Tokens

CATEGORY	SEVERITY	LOCATION	STATUS
Documentation	LOW	Global	Acknowledged

Description

Throughout the NFTYFinanceV1 contract the token transfer accounting assumes that the transferred amount is received, however this may not be the case for fee-on-transfer or rebase tokens.

Recommendation

Be sure to clearly document that the system is not compatible with fee-on-transfer tokens. Otherwise if they are intended to be supported then the amount of tokens actually received should be measured by a before and after balance check.

Resolution

Magnify Team: Acknowledged.

Summary of Recommendations

Based on our comprehensive audit, we provide the following prioritized recommendations to improve the security posture of Magnify-Cash.

Priority Matrix

ISSUE ID	TITLE	SEVERITY	PRIORITY
C-0	Defaults Forced By Removing lendingDeskLoanConfigs	CRITICAL	Immediate
C-1	Frontrunning Loan Creations	CRITICAL	Immediate
H-0	H-01 | Blacklisted Lenders Force Defaults	HIGH	High
M-0	Overlap Between Payment And Default Periods	MEDIUM	Medium
M-1	Errant Origination Fee Validation	MEDIUM	Medium
M-2	Paused State Leads To Forced Defaults	MEDIUM	Medium
M-3	Zero Platform Fee Can DoS New Loans	MEDIUM	Medium
M-4	Borrowers Exposed To Gas Griefing	MEDIUM	Medium
M-5	Block Stuffing Risk	MEDIUM	Medium
L-0	Misleading Comment	LOW	Low

General Security Best Practices

- ✓ Implement comprehensive testing including edge cases
- ✓ Use established security patterns and libraries

Audit Team

Team Credentials

Our audit team combines decades of experience in blockchain security, smart contract development, and cybersecurity. Each team member holds relevant industry certifications and has contributed to multiple successful security audits.

Methodology & Standards

Our audit methodology follows industry best practices and standards:

- ✓ OWASP Smart Contract Security Guidelines
- ✓ SWC Registry Vulnerability Classification
- ✓ NIST Cybersecurity Framework
- ✓ ConsenSys Smart Contract Security Best Practices
- ✓ OpenZeppelin Security Recommendations

Audit Process

This audit was conducted over a comprehensive review period, involving automated analysis, manual code review, and thorough documentation of findings and recommendations.

Disclaimer & Legal Notice

This audit report has been prepared by Fortknox Security for the specified smart contract project. The findings and recommendations are based on the smart contract code available at the time of audit.

Scope Limitations

- This audit does not guarantee the complete absence of vulnerabilities
- The audit is limited to the specific version of code reviewed
- External dependencies and integrations are outside the scope
- Economic and governance risks are not covered in technical audit
- Future modifications to the code may introduce new vulnerabilities
- Market and liquidity risks are not assessed

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Contact Information

For questions regarding this audit report, additional security services, or our audit methodologies, please contact Fortknox Security through our official channels listed below.

Fortknox Security

🌐 https://www.fortknox-security.xyz

🐦 @FortKnox_sec

📧 support@fortknox-security.xyz

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