

DEMYSTIFYING CRYPTOCURRENCY DONATIONS

MAKING DECISIONS



BDO USA, P.A., a Delaware professional service corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

NONPROFIT
FINANCIAL
COMMONS

BDO

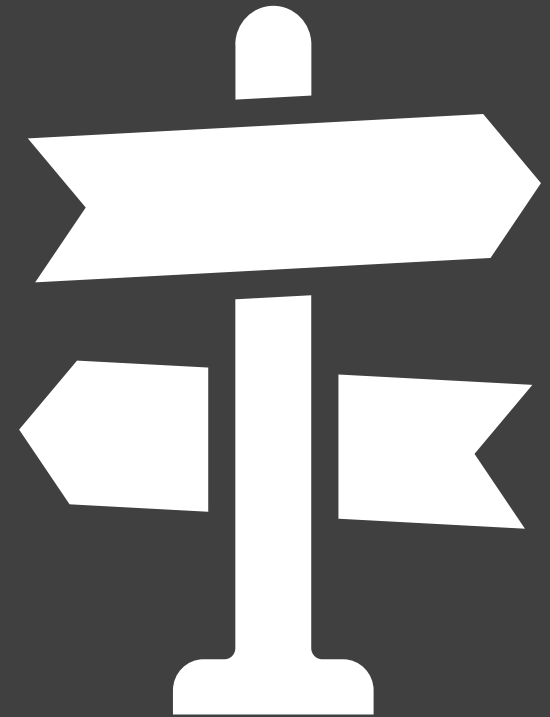
About this Presentation

As part of *Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders*, this deck is designed to help facilitate conversations with key stakeholders on cryptocurrency acceptance.

Accepting cryptocurrency donations will present different risks and opportunities depending on an organization's unique values, needs, capacities and goals. The two sections of this deck include a high-level summary followed by questions to evaluate what is right for your organization. Stakeholders may benefit from reviewing other resources from the Guide prior to discussing the evaluation questions. The first section focuses on key considerations in accepting cryptocurrency donations, and the second outlines solution types to facilitate donation processing.



KEY CONSIDERATIONS



KEY CONSIDERATIONS

Evaluating Reputational and Financial Considerations

Environmental Impact

The process by which Bitcoin, the most popular crypto coin, is created (“mining”) is energy intensive, though accepting crypto is unlikely to top the list of factors in an organization’s carbon footprint.



Concerned leaders may choose not to accept cryptocurrency, or to use a solution that enables them to only accept coins with a focus on environmental sustainability.

Source of Funds

Transferring cryptocurrency is more anonymous than traditional banking transactions, leading to potential concerns over the sources of crypto funds being donated.



Organizations may choose to require donors to complete a form with identifying information as part of the donation process. Knowing donors and rejecting donations (in any form) that could jeopardize integrity or reputation should be a priority in all fundraising.

KEY CONSIDERATIONS

Evaluating Reputational and Financial Considerations

Donor Demographics

Investment in crypto is spread among a wide (though by no means universal) range of society, though many perceive a “culture” among crypto users and advocates which may be unappealing to some organizational stakeholders.



Your organization’s donor base tells the world something about who you believe shares your commitment to your organization and its mission. Donor alignment should be a consideration for all fundraising and should influence strategies and gift acceptance policies.

Volatility

Since inception, the value of one Bitcoin has ranged from pennies to >\$60k. Limited and changing regulation can increase risk for users and investors.



The best practice for nonprofit organizations in most cases is to immediately liquidate any donated crypto. Organizations can choose solutions that automate the liquidation process.

KEY CONSIDERATIONS

Evaluating Reputational and Financial Considerations

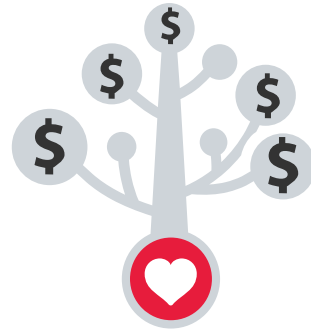
Fundraising Potential

Nonprofit leaders should include in their evaluation of cryptocurrency donations whether their organization has a robust enough base of donors (or potential donors) holding this asset to make investments in cryptocurrency fundraising worthwhile.

Questions may include:

- Would the ability to accept cryptocurrency donations be appealing to current or potential donors?
- Do we have the time, skills and tools to prospect and cultivate donors, process and acknowledge gifts, etc.?

A proactive crypto fundraising strategy is required.



Finance Operations

From an accounting and tax perspective, cryptocurrency is a relatively new type of asset.

Accepting crypto donations through a 501(c)(3) intermediary mitigates the need to implement any new accounting, tax or reporting policies or procedures. Other solutions manage different pieces of the transaction and related compliance and reporting, leading to different levels of capacity required of the organizations that use them.



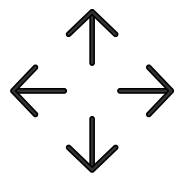
Evaluating Key Considerations

- ▶ Which reputational and/or financial considerations mean the most to us? Why?
- ▶ If we choose to accept crypto donations, how will we navigate key considerations?
- ▶ Which considerations might change over time and how?

SOLUTIONS



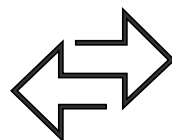
Implications for Organizational Capacity for Managing Cryptocurrency



501(c)(3) Intermediaries

NO NEW CAPACITY NEEDED

- Require no new policies & procedures, intermediary responsible for all compliance & reporting



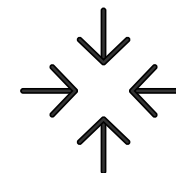
Donation Processors

Fundraising Platforms

Checkouts

SOMEWHERE IN BETWEEN

- Required internal capacity depends on specifics of solution chosen



Direct Acceptance via Crypto Wallet

FULL INTERNAL CAPACITY NEEDED FOR ALL ASPECTS

- Requires new policies & procedures; org is responsible for all compliance & reporting

Donation Process Roles

Responsibility:

Provider

You

Depends

501(c)(3) Intermediary*	Receives donation in their wallet	▶	Transfers to exchange and sells crypto	▶	Initiates cash transfer to your bank account	▶	Completes compliance and reporting needs
Donation Processor / Fundraising Platform	Receives donation in your wallet**	▶	Transfers to exchange and sells crypto	▶	Initiates cash transfer to your bank account	▶	Completes compliance and reporting needs
Crypto Checkout	Receives donation in your wallet**	▶	Transfers to exchange and sells crypto	▶	Initiates cash transfer to your bank account	▶	Complete compliance and reporting needs
Direct Acceptance via Org Wallet	Receive donation in your wallet	▶	Transfer to exchange and sell crypto	▶	Initiate cash transfer to your bank account	▶	Complete compliance and reporting needs

*Intermediaries own assets until they are issued and transferred to your organization.

**Provider has custody of your wallet.

SOLUTIONS

501(c)(3) Intermediaries



Simple set-up and no added policies & procedures



Low cost

Intermediaries take cryptocurrency donations on your behalf into their own 501(c)(3) entity and manage all related reporting and compliance of doing so and issue a donation to your organization in cash. They are quick and simple to set up*, require no changes to your policies and procedures (though all organizations receiving donations should have a gift acceptance policy), no new compliance or reporting, and are likely the best solution for small or medium size nonprofit organizations. Many of these intermediaries also provide access to crypto specific fundraising resources and pooled funds.

*Donors can today use intermediaries, who allow for most 501(c)(3) recipients to be queried by EIN, to send cryptocurrency donations to your organization without any action on your part. Donor Advised Funds can also function as a type of intermediary.

Donation Processors



Access to added fundraising support

Along with access to crypto specific fundraising resources and pooled funds, donation processors offer additional fundraising support, access to community forums and events, and dedicated customer service. These solutions manage certain parts of the crypto transaction and will require accounting & tax compliance and reporting from the organizations who use them.

Fundraising Platforms



Integrated donor database

Along with dedicated customer support, fundraising platforms can serve as an organization's donor database, offering the opportunity to manage donor data in one system and potential integration with accounting. These solutions manage certain parts of the crypto transaction and will require accounting & tax compliance and reporting for the organizations who use them.



SOLUTIONS

Crypto Checkouts



May integrate with sales data

Crypto checkouts are common in the for-profit marketplace, and while they offer limited advantage to nonprofits over using intermediary solutions, organizations with an existing crypto point of sale implementation may see benefits of utilizing an aligned donation solution.

Direct Acceptance via a Crypto Wallet



End-to-end crypto transaction with no third-party involvement



Capacity required to manage a wallet and all compliance and reporting

Organizations may choose to accept crypto directly into a wallet their organization manages without third-party involvement. Organizations may choose to do so because they may have leaders or major donors enthusiastic about blockchain technology or concerned about custodial control. Organizations may also choose to do so if expecting to invest in crypto, receive NFTs or want the ability to accept any coin.

Evaluating Solutions

- ▶ What capacity do we have or plan to have for managing cryptocurrency donations?
- ▶ What role do we want to play (or not play) in the donation process?
- ▶ What key solution features are important to us?



About BDO USA

At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes – for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.A., a Delaware professional service corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

www.bdo.com

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2023 BDO USA, P.A., All rights reserved.

