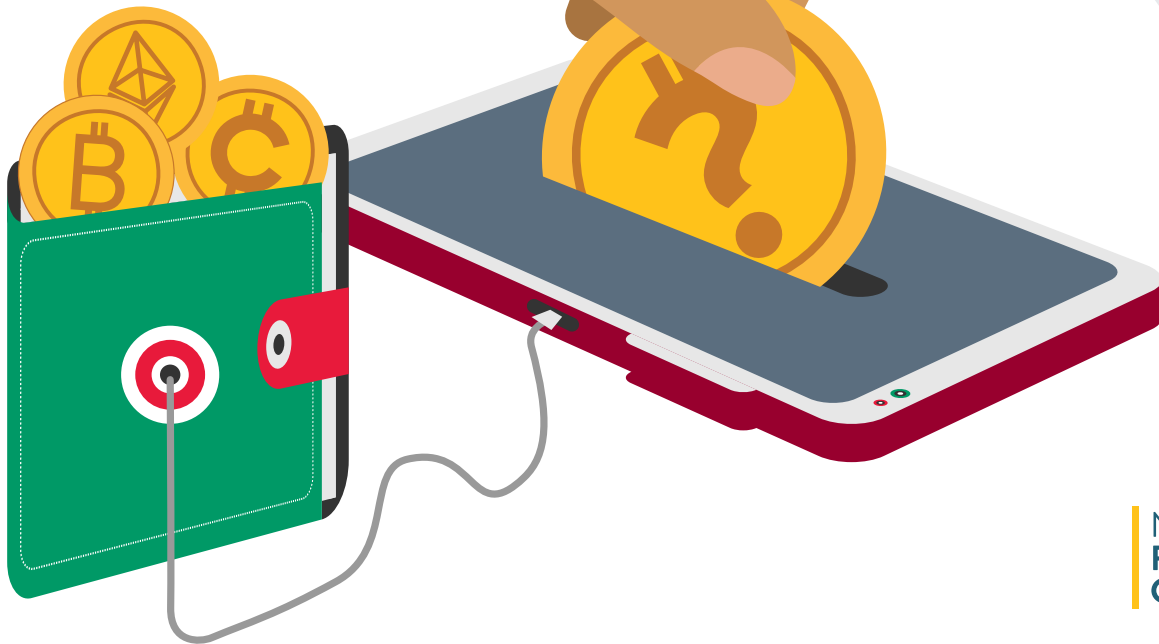


Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

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Key Cryptocurrency Terms

To support your understanding of key terms, see the definitions that follow:

Blockchain: A decentralized, digital list of transactions, called blocks, that are linked together and distributed across a network of computer systems. This list continues to grow with each transaction, making it practically impossible to hack or erase transactions. A blockchain ledger is a type of distributed ledger technology (DLT) that facilitates peer-to-peer transactions in a secure and verifiable way without a centralized party.

Cryptocurrency: Sometimes called crypto, it is a form of digital currency built on a blockchain ledger. It does not exist in a physical form. There is no issuing or regulating authority to manage cryptocurrency, which instead uses a decentralized system called blockchain to issue units of currency and record transactions.

(Crypto)Coin: A coin is the individual whole unit of cryptocurrency, such as a dollar is an individual whole unit of the US currency system. Coins may be subdivided, such as using cents, and traded or sold depending on their value. Bitcoin and Stablecoins are two types of cryptocurrency coins, with the former holding the highest market value and the latter introduced to add more stability in crypto.

DeFi: A term to describe “decentralized finance”, which refers to the growing number of technologies, applications, and services that utilize blockchain technology to provide decentralized financial services. DeFi handles financial services outside of the normal banking sector, removing fees and financial companies, promoting peer to peer transactions.

Exchanges: An online marketplace where one can buy, trade, or sell cryptocurrencies.

Fiat Money: Fiat money is a type of currency that is typically issued and designated by a government to be considered legal tender. Fiat money is not

linked to commodities, such as gold or silver. Examples of fiat money are US Dollar, Euro, and Mexican Peso.

Mining: A term used to describe when computers on the blockchain network process transactions and add new data to the blockchain, which can sometimes result in new units of currency or coins being created. Most transactions require mining fees that pay miners to complete the transactions.

NFT or Nonfungible Token: A digital asset that is completely unique and cannot be replicated or subdivided. These tokens have become popular in the arts and entertainment world. They can be transferred between wallets similarly to cryptocurrency.

Wallet: A tool that is used by a cryptocurrency holder to track, hold, and manage their cryptocurrency coins and make transactions. Each wallet is secured with a private key that cannot be recovered, and this key is used to make and sign transactions. A wallet can be custodial or non-custodial, meaning another person or company controls the wallet or the user controls their own wallet, respectively. Cryptocurrency can be moved from wallet to wallet using blockchain transactions, using a wallet key, with no fees.

Web 3 or Web 3.0: The idea for the next iteration of the World Wide Web, which is built on decentralized blockchains. While related to cryptocurrency, it has also become a term to describe an idealized evolution of the internet where transactions are decentralized, and data has stronger privacy. Web 3.0 builds on the idea that there were 2 waves or iterations of the web before we could reach Web3. Web 1.0 – a period in the 1990’s to early 2000’s where most web pages were static pages to be consumed – a “read only” type of internet. Web 2.0 refers to the time from the mid 2000’s to present, where the web is viewed as a platform for commerce and social connection.

Cryptocurrency in Philanthropy

In the 1990's, computer scientists began conceiving the idea of cryptographic online currencies that relied on encrypted ledgers (or blockchain ledgers) in academic papers, books, and mailing lists. In 2008, Bitcoin, the first cryptocurrency, was created by Satoshi Nakamoto, a pseudonym for an individual (or group) whose real identity is still unknown. The idea, which Nakamoto detailed in a paper entitled "Bitcoin: A Peer-to-Peer Electronic Cash System", was to create a financial transaction system that didn't have to rely on traditional systems such as governments or long-standing financial institutions. **In 2010, the first Bitcoin transaction was famously recorded** when an individual used Bitcoin to purchase two pizzas. In the following years, more companies began to accept bitcoin as payment and additional coins were developed — leading to the cryptocurrency market being worth over \$3 trillion in late 2021. In mid-2022, the industry went through a "**crypto crash**", losing more than half of its value. However, the industry remains valued at over \$1 trillion.

More people are utilizing and investing in cryptocurrencies, and some who invested early found that they had amassed a fortune they did not expect. As a result, crypto's involvement in philanthropy has grown dramatically, and **according to CFO of GiveDirectly** Jason Watters, donations have helped increase crypto legitimacy. **Supra Oracles states** between 2020 and 2022, donations in the form of cryptocurrency soared, increasing to over \$330 million. The Giving Block, a cryptocurrency donation platform, reports a significant increase in clients, from about 100 in 2020 to over 1,200 in 2022. Various other platforms, such as Fidelity Charitable DAF, report doubling their amount of crypto donations each year since 2019.

Many donors are interested in the tax benefits of donating crypto but often have trouble finding charities or organizations that accept it. Nonprofits can open themselves up to a wider donor base when they adapt to changing technology and funding spheres, such as what was seen when stock-giving and credit card donations became popular. Cryptocurrency donations are unlikely to be a magic solution to nonprofit fundraising but can be viewed in the same vein as other types of digital fundraising and donations that nonprofit organizations can collect.



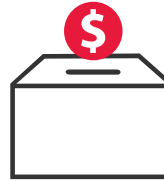
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A note from the Authors

We believe nonprofits should have easily accessible information to support decision-making. Through this set of resources, we hope you feel equipped with the tools you need to make decisions about whether to accept cryptocurrency donations and, if so, how to get started. It was our pleasure to learn with you and from you in this process.

Rebecca Coker, Dipty Jain, Samantha Schaefer, Andrew Schwalm, John Summers, Ethan Zatko, and many more providing technical expertise and review.

Thank You

We are deeply grateful to those who shared their experience, knowledge, and questions with us. In addition to conversations with solution providers and nonprofit consultants, we could not have done this work without the gift of time from the following nonprofit and grantmaking organizations:

Amnesty International, Dakota Resources, Dayton Art Institute, GiveMN, OneStar Foundation, Pacific Pride Foundation, NTEN, Somos El Poder, Spare Key, Tipping Point Community, Urban Ed Academy, and Women's Cancer Resource Center

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