



Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

Overview

NONPROFIT
FINANCIAL
COMMONS

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Nonprofit leaders may have questions:

Today's market capitalization of cryptocurrency is \$1.1 trillion¹, and though donors are interested in the tax benefits of donating crypto, they often have trouble finding organizations that accept it. Fundraisers point to cryptocurrency as an important emerging fundraising tool as younger potential donors accumulate wealth through crypto. Charitable donations of cryptocurrency reached an estimated \$330 million in 2021². Observing these trends, nonprofit leaders are left wondering if accepting cryptocurrency donations is the right choice for their organizations, and, if it is, how to get started doing so successfully.

Developed by a team of nonprofit management professionals³ and informed by interviews with nonprofit leaders and cryptocurrency solutions providers, *Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders* is a set of resources designed to help leaders of 501(c)(3) nonprofit organizations,⁴ specifically with small to mid-size organizations in mind, navigate whether and how to accept cryptocurrency donations. The resources explain the range of options available, how each approach works, what they require of and offer to the organizations who use them, and how each option aligns with particular concerns and considerations.

Please note that receiving donations of cryptocurrency is not the same as, and should not be confused with, investing in or transacting business in cryptocurrency. The scope of these resources is limited to considerations of cryptocurrency as a vehicle for donations—please seek out other advice if exploring cryptocurrency use or investing. Also note that cryptocurrency is not the same as other types of digital assets such as non-fungible tokens (NFTs), which raise very different questions and concerns as a donation vehicle and, again, will not be covered here.

¹ Approximated, as of May 2023

² <https://supraoracles.com/academy/crypto-blockchain-and-charities-what-you-need-to-know/>

³ Resources developed in the first half of 2023. Tax requirements and accounting standards may change over time.

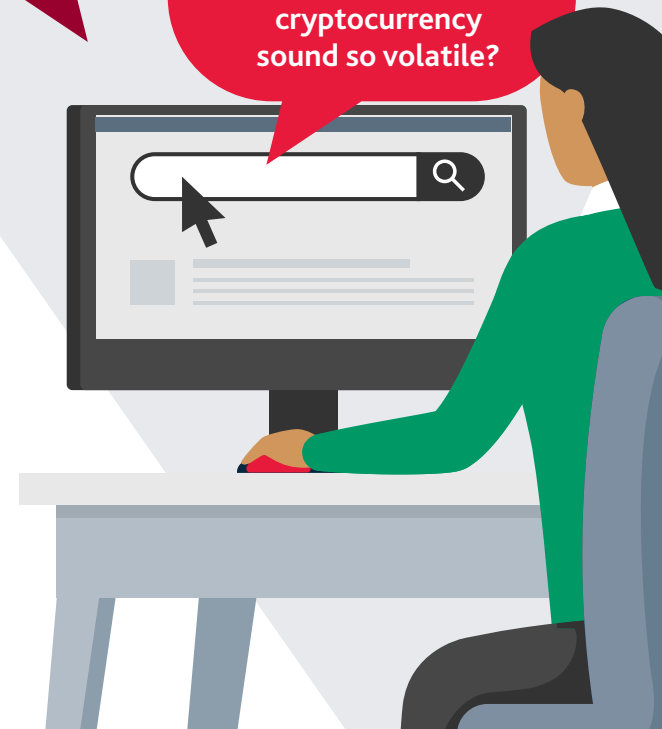
⁴ Though these resources were developed for the leaders of 501(c)(3) nonprofit organizations, some information, particularly key considerations outlined in **Key Considerations**, may be relevant for leaders of other tax-exempt organizations, of fiscally sponsored projects and of charitable organizations based outside of the USA.

What is cryptocurrency?
Is it Bitcoin?
The blockchain?

How can I understand what
feels like confusing jargon
and complex technology?

What about the debate
about the environmental
impact of cryptocurrency?

What about the news
stories that make
cryptocurrency
sound so volatile?



Key highlights from what we've learned include:



Though digital currency (including cryptocurrency) is an emerging asset class and field with rapid change,⁵ it's one that's likely to stay.



Cryptocurrency donations should be immediately liquidated for cash in most cases.



Cryptocurrency donations will present different risks and opportunities to organizations depending on their values, needs, capacity and goals. For example, one organization may be concerned about donor anonymity and their ability to know the source of funds, while another may prize the anonymity provided by cryptocurrency transactions to protect the support of its work under oppressive conditions.



Implementing a solution for accepting cryptocurrency donations won't necessarily result in new or larger donations without an intentional crypto fundraising strategy.



For most organizations who choose to accept crypto donations, routing those donations through intermediaries will be the best option to maximize ease and efficiency and minimize risk. Low and no cost intermediary solutions handle the liquidation of donations to cash and enable organizations to accept them without having to master crypto transaction processes or implement new policies and procedures.



⁵ At time of publication, it was estimated that additional guidance from the Financial Accounting Standards Board (FASB) would be available during the second half of 2023.

So how do I get started?



Turn to the **Key Considerations** to understand the issues likely to be discussed with key stakeholders.



Use the **Solutions Companion & Solutions Decision Tool** to identify a type of solution that matches your organization's goals, needs, capacity and values.



Refer to the **Policies and Procedures** to make any necessary changes to your organization's documented fiscal or gift acceptance policies and procedures, and to understand the accounting, tax, and reporting practices necessary to remain in compliance.



Use the **Fundraising Resources** to prepare to engage donors.



Read more in **Additional Information** to become better informed about cryptocurrency and to find links to additional resources.



The **Key Considerations** addresses potential risks associated with accepting cryptocurrency donations, and how to evaluate any potential values misalignment. Maybe you are a nonprofit executive director or fundraising leader who is hearing encouragement from a Board member to begin accepting cryptocurrency donations, but you are not certain it is the right choice for your organization. Maybe you're concerned that you don't know what you don't know. Maybe you're concerned your organization's financial management or fundraising capacity is too limited to handle any new and potentially evolving accounting, tax, or reporting requirements. Maybe you're worried about accepting a potentially volatile asset. The key considerations can help focus the conversation with your stakeholders to reach a decision that's right for your organization.



The **Solutions Companion and Solutions Decision Tool** outline the types of options available for organizations who make the decision to accept cryptocurrency donations. While cryptocurrency can be a complex and daunting area, some (perhaps most) organizations may choose a low or no cost option for accepting cryptocurrency donations that requires very little set up and imposes no new accounting, tax, or reporting requirements on the organization. Intermediaries accept cryptocurrency donations for your organization into their own 501(c)(3) entity, manage the requirements of doing so, liquidate the cryptocurrency to cash, and then donate that cash directly to your organization.

On the other hand, maybe your organization wants to accept types of cryptocurrencies ("coins") not offered by one of the intermediary options. Maybe your organization already uses a well-liked fundraising platform that has a cryptocurrency feature available. Maybe it's important for your organization's stakeholders that cryptocurrency be received and managed directly. The solutions resources will help nonprofit leaders understand the range of options and the advantages and tradeoffs of each type to help lead them to a solution well matched to their organization's priorities and capacity.




The **Policies and Procedures** section outlines the accounting, tax, and reporting rules associated with accepting cryptocurrency donations so that organizations who choose to do so can ensure they remain compliant. This section also covers donor acknowledgement and gift acceptance considerations including policy templates. For organizations who choose to accept cryptocurrency donations into a wallet they manage, best practice is to have a policy that liquidates cryptocurrency donations immediately.



Fundraising Resources include a QuickStart for Cryptocurrency Fundraising, as well as communication samples for announcing cryptocurrency donation acceptance.



Additional information includes further reading on the history of cryptocurrency, definitions of key terms and links to additional resources.



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