Demystifying Cryptocurrency Donations:

A Guide for Nonprofit Leaders

Solutions Companion: Ways to Accept Cryptocurrency Donations

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There are several ways to accept cryptocurrency donations, from direct acceptance via a digital wallet you control to using one of many third-party solutions. They offer a range of advantages and tradeoffs to consider:

▶ How long will it take to setup?

▶ What will your team be responsible for on an ongoing basis?

▶ How might the solution support your organization in fundraising strategies and accessing new donors?

▶ What types and amounts of fees can you expect?

In our opinion, for most nonprofit organizations (particularly small to mid-size nonprofits) and in most circumstances, **receiving crypto donations through 501(c)(3) intermediaries may be the best way to manage this process**. Donors simply give the cryptocurrency to the intermediary (itself a 501(c)(3) entity) with a designation to the ultimate recipient, and the intermediary in turn liquidates the cryptocurrency to cash, donates that cash directly to the receiving organization, and handles the reporting and compliance responsibilities associated with the donation. (Small transaction fees are charged, either to the donor or the recipient.) This option can be set up almost immediately and requires little initial or ongoing effort by the nonprofit, making it likely the best solution in many cases.

That said, every organization's situation is unique, and some cases may call for an alternative approach. The below outlines the key differences between solutions, and the **Solutions Decision Tool** is designed to help you better understand which solution might be best matched to your organization's priorities and capacity.

How Cryptocurrency Donations Work

The donation process for cryptocurrency differs from other donations. For a cash donation, the donor transfers dollars to a nonprofit via a bank, Automated Clearing House (ACH), wire, or credit card processor, whereas with cryptocurrency, a donor must first transfer the cryptocurrency from their digital "wallet" into a recipient's wallet. From the recipient's wallet, the cryptocurrency can then be sold via a crypto exchange for cash (i.e. liquidated), which is then transferred to a bank account. In choosing a solution for accepting cryptocurrency donations, you will be choosing **how** and **by whom** the steps in the process will be managed.

Donor Crypto Wallet → **Receiver Crypto Wallet** → **Exchange (Sell)** → **Bank Account**
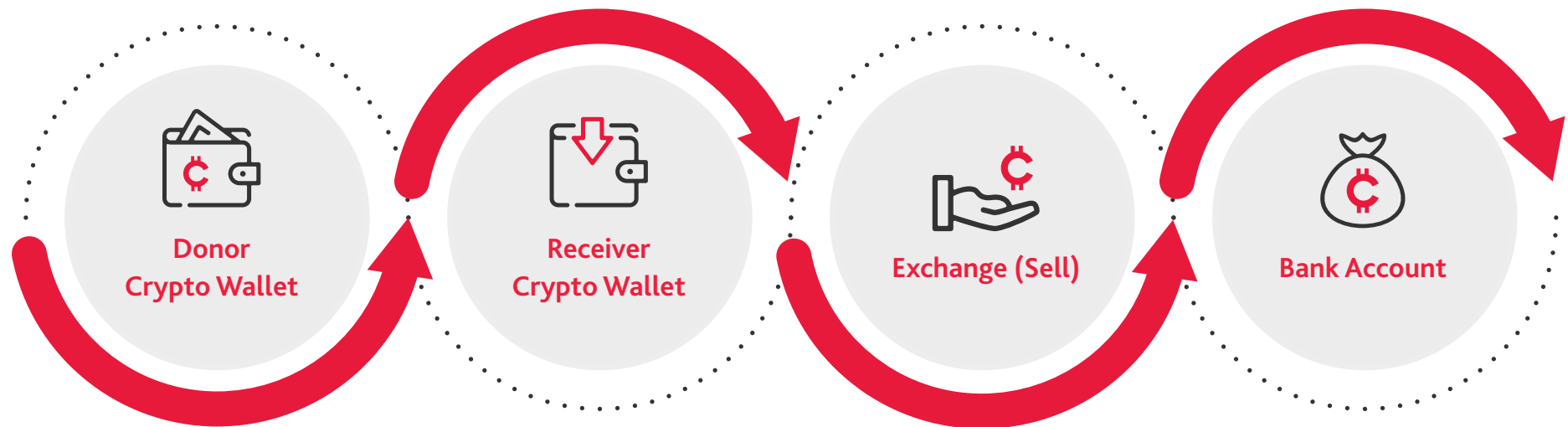
Solutions to Accept Cryptocurrency Donations[1]

The option types below are listed in descending order of the level of support provided to nonprofit organizations receiving crypto donations. Or, put another way, the options are listed in ascending order of the technical knowledge and savvy required to implement and use as a cryptocurrency donations solution. See **Solutions Examples** for vendors that fall into each of the five option types.

▶ **501(c)(3) Intermediaries**
Nonprofits that act as a link between the donor and the organization receiving the donation. Intermediaries take on the receiving, selling, and compliance and reporting responsibilities of the cryptocurrency donation. They then send the cash result of the donation to the organization designated by the donor. The end recipient never actually owns cryptocurrency in this scenario but, rather, receives the donation amount as cash.

The following options each require an organization to receive donations as **cryptocurrency** and provide varying levels of support and/or automation for selling, transferring, compliance, and reporting.

▶ **Donation Processors**
Nonprofit-specific vendors that facilitate donations by guiding nonprofits through the donation process, including setting up and, in some cases, managing a wallet to receive donations and liquidating investments to cash. Some donation processors offer fundraising support such as access to identified crypto donors and pooled funds.

▶ **Fundraising Platforms (with Crypto Capacity)**
Digital fundraising software platforms that provide a suite of tools and resources to aid organizations in fundraising efforts and also accept and handle cryptocurrency donations.

▶ **Crypto Checkouts**
Embedded checkouts created for businesses to accept cryptocurrency as payment. Some of these checkouts have begun offering donation checkouts for registered 501(c)(3) nonprofits. This option generally uses the same technology as donation processors but without the donation process support and crypto wallet management that those providers offer, so this could be an option for more technically savvy and cost-sensitive users.

The below option of receiving cryptocurrency donations into a wallet managed by the organization includes no outside support for selling, transfer, compliance, and reporting.

▶ **Direct Acceptance via Crypto Wallets**
In the most self-service and technically demanding option, organizations can create and manage their own cryptocurrency wallets and accept cryptocurrency donations into those wallets directly. Many crypto wallets are linked to an exchange that offers the ability to sell cryptocurrency for cash from the wallet. The organization will be responsible for all steps in the donation process including liquidation to cash, accounting for receipt and sale of cryptocurrency, donor acknowledgment, and completing tax compliance and reporting requirements.

1   The categorization of the five types of solutions was drawn from research including an article by Tina Roh via the Council of Nonprofits. For more information see https://www.councilofnonprofits.org/thought-leadership/what-your-nonprofit-needs-know-about-cryptocurrency-donations.
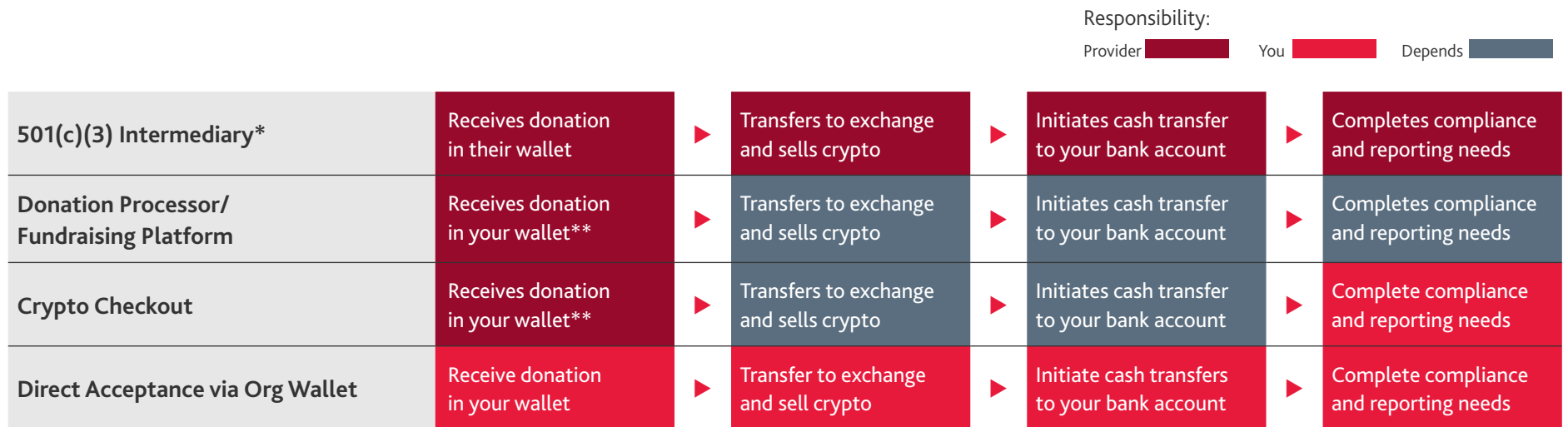
Figure 1. Solution Priorities & Key Features

KEY FEATURE = ▢	501(c)(3) Intermediaries	Donation Processors	Fundraising Platforms	Crypto Checkouts	Direct Acceptance via Wallets
Ownership & Custody					
Third party involvement in transactions	YES	YES	YES	YES	
You never own crypto (even if for a short period)	YES				
Capacity & Reporting					
Compliance and reporting needs managed for you	YES	DEPENDS	DEPENDS		
Donors must be provided wallet info individually					YES
Simple setup & no added policies and procedures	YES				
Fundraising					
Acts as donor database			YES		
Access to fundraising support (e.g., training, pooled funds, 1:1)	YES – limited	YES	YES – may not be crypto specific		
Cost					
Robust customer support		YES	DEPENDS		
Subscription fees	NO	DEPENDS	DEPENDS	NO	NO
Additional					
Ability to accept and invest in any coin or NFT					YES
Integrates with sales data				YES	

Intermediaries can accept donations on behalf of most 501(c)(3) organizations today without the organization setting up an account. To see if your organization is included, search for your organization on an intermediary site. Signing up for an account takes limited time and can provide additional insights and controls.

DONATION PROCESS ROLES

▶ **Control of assets:** Whether a donor donates to your organization directly or via an intermediary will determine who has control over how the assets are used and who is responsible for compliance and reporting.

▶ **Custody of cryptocurrency:** Various options for accepting cryptocurrency will take custodial control of your digital wallet and manage it for you, and you will be entrusting them with this access. Non-custodial usage refers to a digital wallet that is managed only by you and your organization.

▶ **Compliance and reporting, such as tax and accounting requirements:** Outside of 501(c)(3) intermediaries, any solution or method you choose to accept cryptocurrency will require specific tax reporting and accounting treatment, and you likely will want to update your gift acceptance policies. Descriptions of compliance needs and templates are included in **Policies and Procedures.**

Figure 2. Donation Process Roles by Acceptance Method Provider

Responsibility:

Provider ▮   You ▮   Depends ▮

	Receive	Transfer	Cash transfer	Compliance
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 transfers 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.

501(c)(3) Intermediaries

KEY FEATURE =		501(c)(3) Intermediaries
Ownership & Custody	Third party involvement in transactions	YES
	You never own crypto (even if for a short period)	YES
Capacity & Reporting	Compliance and reporting needs managed for you	YES
	Donors must be provided wallet info individually	
	Simple setup & no added policies and procedures	YES
Fundraising	Acts as donor database	
	Access to fundraising support (e.g., training, pooled funds, 1:1)	YES – limited
Cost	Robust customer support	
	Subscription fees	NO
Additional	Ability to accept and invest in any coin or NFT	
	Integrates with sales data	

Intermediary organizations are 501(c)(3) nonprofit organizations that play an 'intermediary' role in the donation process. They take on the receiving, selling, and compliance responsibilities of cryptocurrency donations, and they send the cash result of the donation to the organization.

Using an intermediary may help to reduce administrative requirements, legal and security risks, and accounting complexities by allowing the intermediary to accept and convert cryptocurrency on your organization's behalf. Intermediaries process cryptocurrency donations without your organization taking custody of (i.e., directly owning) cryptocurrency. Using intermediaries is generally a cost effective and easy to navigate option.

Donor Advised Funds (DAFs)

DAFs operate differently than other intermediaries and are donor driven, though, like other intermediaries listed, they too liquidate cryptocurrency donations and provide cash to the receiving organization. A donor may be required to have a membership or set up an account.

2 Though no tax acknowledgment is required, organizations using intermediaries to receive cryptocurrency donations should consider their approach to donor stewardship, which may include an acknowledgement of gifts.

Ownership and custody: Organizations using intermediaries receive cash donations and have no role in owning or liquidating cryptocurrency.

Capacity and reporting: Organizations who use intermediaries as their solution for accepting cryptocurrency donations incur no new reporting or compliance requirements, as the donations they receive are in cash.[2] In fact, intermediaries today enable donors to identify 501(c)(3) organizations via EIN and make cryptocurrency donations without organizations having to take any action.

Fundraising: Some intermediaries provide donor engagement tools and access to pooled funds. Most intermediaries provide simple tools for embedding this donation functionality into an existing website, creating quick access for organizations to get started.

Costs: Though intermediaries vary in how they structure transaction fees, some fee is required in all cases. Depending on the intermediary, these fees will be incurred by the donor, the recipient or both. Some intermediaries allow donors to include "tips" to offset the costs of their operations.

Donation Processors

KEY FEATURE = [____]		Donation Processors
Ownership & Custody	Third party involvement in transactions	YES
	You never own crypto (even if for a short period)	
Capacity & Reporting	Compliance and reporting needs managed for you	DEPENDS
	Donors must be provided wallet info individually	
	Simple setup & no added policies and procedures	
Fundraising	Acts as donor database	
	Access to fundraising support (e.g., training, pooled funds, 1:1)	YES
Cost	Robust customer support	YES
	Subscription fees	DEPENDS
Additional	Ability to accept and invest in any coin or NFT	
	Integrates with sales data	

If your organization is interested in receiving cryptocurrency donations directly (i.e., without going through an intermediary) but still needs help navigating the receipt, liquidation, and compliance responsibilities of crypto donations, a donation processor may suit your needs. Donation processors are typically for-profit technology providers (single tool) or platforms (set of tools) that guide your organization in accepting cryptocurrency donations, including dedicated customer service and technical assistance as well as scalable guidance depending on your choice of subscription plans. Some processors were created specifically to help organizations accept cryptocurrency, and others have added cryptocurrency capacities to their existing products and offerings.

Many of these platforms offer fundraising components to their plans, helping your organization build a crypto fundraising strategy, introducing your organization to new donors, and giving your organization access to topic-specific donor pools. Donation processors provide different types of support for organizations accepting and managing cryptocurrency donations, such as providing dashboards and accounts where your organization can monitor and track donations, taking custodial ownership over your organization's wallet, and aiding in filing the correct forms.

Ownership and custody: If using a donation processor, your organization will have its own crypto wallet (possibly managed by the processor) and will receive the cryptocurrency into it prior to liquidation.

Capacity and reporting: Processors may assist the organization in completing all necessary tax forms. Roles of who completes and files should be verified. Organizations should send donor acknowledgements, if not handled by the processor, and update their Gift Acceptance Policy. See **Policies and Procedures** for an example.

Fundraising: Through activities such as pooled funding, podcasts, and social media shout-outs, donation processors can help organizations gain exposure to new potential donors.

Costs: Donation processors generally charge subscription fees (scaled to the scope of services being provided) in addition to any transaction fees (both at donation and upon conversion to cash) applicable on donations. Fees include additional fundraising and customer support.

Fundraising Platforms (with Crypto Capacity)

KEY FEATURE =		Fundraising Platforms
Ownership & Custody	Third party involvement in transactions	YES
	You never own crypto (even if for a short period)	
Capacity & Reporting	Compliance and reporting needs managed for you	DEPENDS
	Donors must be provided wallet info individually	
	Simple setup & no added policies and procedures	
Fundraising	Acts as donor database	YES
	Access to fundraising support (e.g., training, pooled funds, 1:1)	YES – may not be crypto specific
Cost	Robust customer support	DEPENDS
	Subscription fees	DEPENDS
Additional	Ability to accept and invest in any coin or NFT	
	Integrates with sales data	

If your organization is interested in receiving cryptocurrency in addition to developing other fundraising infrastructure, fundraising platforms that have crypto donation capacity could help meet both needs. Fundraising platforms are most often for-profit technology providers that can provide both technical assistance and dedicated customer service to their customers. These platforms work very similarly to donation processors but offer a fuller suite of fundraising tools, resources, and platforms (such as a donor database). By utilizing a fundraising platform, an organization can accept cryptocurrency donations directly (i.e., without going through an intermediary) as a part of a larger fundraising strategy. Organizations may still need to manage the receipt and accounting for cryptocurrency and the related reporting and compliance responsibilities. This solution is a multifunctional digital platform best suited for an organization looking to ramp up their fundraising efforts and systems in all areas, not just cryptocurrency.

Ownership and custody: If using a fundraising platform, your organization may need to have its own crypto wallet (possibly managed by the platform) to receive the cryptocurrency into it prior to liquidation. This should be verified by the platform prior to your sign up.

Capacity and reporting: Platforms may assist the organization in completing necessary tax forms. Responsibility for completing and filing forms should be verified. Organizations should send donor acknowledgements, if not handled by the platform, and update their Gift Acceptance Policy. See **Policies and Procedures** for examples.

Fundraising: Platforms can provide technology and software suites to aid organizations in fundraising through digital fundraising tools that may include comprehensive donor databases and support with campaigns.

Costs: Fundraising platforms generally charge subscription fees (scaled to the scope of services being provided) in addition to any transaction fees (both at donation time and conversion to cash) applicable on cryptocurrency donations. Fees may include additional fundraising and customer support.

Crypto Checkouts

KEY FEATURE = ▨▨▨▨▨▨▨▨		Crypto Checkouts
Ownership & Custody	Third party involvement in transactions	YES
	You never own crypto (even if for a short period)	
Capacity & Reporting	Compliance and reporting needs managed for you	
	Donors must be provided wallet info individually	
	Simple setup & no added policies and procedures	
Fundraising	Acts as donor database	
	Access to fundraising support (e.g., training, pooled funds, 1:1)	
Cost	Robust customer support	
	Subscription fees	NO
Additional	Ability to accept and invest in any coin or NFT	
	Integrates with sales data	YES

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 (or interest in implementing one) may see benefit in using an aligned donation solution.

Ownership and custody: Depending on the provider, Crypto checkouts can be set up as a "custodial" wallet (i.e., a cryptocurrency wallet held and managed by a third party, in this case the checkout company) for your organization and will receive the cryptocurrency into it prior to liquidation, or they can accept the cryptocurrency and liquidate it to cash on your behalf. Technically, the nonprofit will own the cryptocurrency being held by the checkout for the brief period before liquidation.

Capacity and reporting: The cryptocurrency donation is technically coming to the nonprofit organization. The nonprofit is responsible for issuing a donor acknowledgement along with completing and filing applicable tax forms. See the **Policies and Procedures** for guidance.

Fundraising: Checkouts generally do not provide support in fundraising or donor cultivation. However, checkouts can collect and share basic donor information.

Costs: Transaction fees may be a percentage of the amount donated.

Direct Acceptance via Cryptocurrency Wallets

KEY FEATURE =	Direct Acceptance via Wallets
Ownership & Custody	
Third party involvement in transactions	
You never own crypto (even if for a short period)	
Capacity & Reporting	
Compliance and reporting needs managed for you	
Donors must be provided wallet info individually	YES
Simple setup & no added policies and procedures	
Fundraising	
Acts as donor database	
Access to fundraising support (e.g., training, pooled funds, 1:1)	
Cost	
Robust customer support	
Subscription fees	NO
Additional	
Ability to accept and invest in any coin or NFT	YES
Integrates with sales data	

For organizations who feel comfortable with the technical and reporting aspects of cryptocurrency transactions and have a need to receive and manage crypto donations without any third-party involvement, direct acceptance of cryptocurrency into a self-managed wallet is an available option. (This option is likely reserved for organizations with donors who want to transfer cryptocurrency directly to a wallet controlled by the organization and/or organizations that are transacting business in cryptocurrency already.) In choosing direct acceptance, the organization will be responsible for all donation processing steps and related compliance and reporting.

Organizations will also need to choose among the various types of wallet, from custodial wallets owned by the organization but managed by a crypto exchange to pieces of software or even hardware owned and managed by the organization. (Choosing among the various wallet options is beyond the scope of this guide.)

Many online crypto wallets are linked to exchanges that offer the ability to sell cryptocurrency for standard currency. A best practice of always liquidating/selling the cryptocurrency donations as soon as possible positions organizations to receive the fair market value in USD of each donation.

Ownership and Custody: One of the benefits of cryptocurrency and blockchain technology is removing other parties from transactions. By managing your own cryptocurrency wallet, you will take on more responsibilities, and you will also have control of what coins you accept and when you convert to cash.

Capacity and reporting: As a truly self-service option, your organization will be responsible for all compliance and reporting responsibilities and sending a donor acknowledgement. Additionally, you will need to update your Gift Acceptance Policy. See the **Policies and Procedures** for guidance.

To accept cryptocurrency donations into a wallet managed by the organization, that organization will need to engage each donor in an interaction to provide their wallet address. (If their wallet address were to be listed publicly, they would have no way of identifying donors, and doing so is not a typical nor advisable approach.) Because direct acceptance requires providing a wallet address to each donor, it is in fact the option that offers the most control over knowing who donates cryptocurrency.

Fundraising: Crypto wallets offer no fundraising support or capacity, so organizations using this option would be responsible for all efforts and activity toward raising crypto donations from potential donors.

Costs: Transaction fees may be a percentage of the amount donated and vary based on volume.

Direct Acceptance via Cryptocurrency Wallets (cont'd)

Direct acceptance with a wallet is well matched for organizations targeting a crypto investment strategy or expecting to accept NFTs (Nonfungible Token). Note that this guide does not otherwise cover cryptocurrency investing or NFTs.

Please note: one risk of utilizing a non-custodial (i.e., self-managed) crypto wallet is that whoever holds the secret key to that wallet has total control of it. In other words, ownership is determined by control of the key, not by any legal registry of the wallet. It is essential to set up appropriate controls for crypto wallets, including keeping keys secure with redundancy and never sharing the key with anyone except those authorized by your organization to access it. Keys cannot be changed, so when someone with access to the key leaves the organization, it is wise to create a new wallet and discontinue using the previous one. (But remember that anyone can continue to send to that previous wallet at any time in the future, so it should still be watched for future activity.)

It is also important to understand that losing the key to a wallet means access to that wallet, and any assets in it, is lost forever. It cannot be recovered without the key.

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