



# Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

Policies & Procedures

NONPROFIT  
FINANCIAL  
COMMONS

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This resource outlines policies and procedures nonprofit organizations can adopt to manage risks and improve compliance with current rules related to cryptocurrency donations. Some organizations may have similar policies and procedures for donations other than cryptocurrency and may choose to add cryptocurrency-specific information to those policies and procedures. Unless otherwise stated, the information below is based on the practice of liquidating cryptocurrency to cash immediately upon receipt. Each section describes what is needed and how the solution to accept cryptocurrency will impact what roles your nonprofit must fulfill.

	INTERMEDIARY	OTHER SOLUTIONS
<b>Financial Accounting</b>	Record as cash	Record at Fair Market Value at time of receipt
<b>Tax and IRS Reporting</b>	Record on 990 as contribution	Plus responsible for form 8282 when convert to cash and sign 8283 per donor initiation if valued above \$5K
<b>Donor Acknowledgement</b> (see template)	Done by intermediary, may want to send a thank you	Required for donations $\geq$ \$250 (regardless if crypto)
<b>Cryptocurrency Gift Acceptance</b> (see template)	Though not receiving crypto directly, include crypto in a gift acceptance policy	<ul style="list-style-type: none"> <li>▶ Assess risks</li> <li>▶ Establish strong internal controls</li> <li>▶ Establish gift review committee</li> <li>▶ Strategy for processing donations</li> <li>▶ Review and adapt</li> </ul>

Click on each topic icon to jump to that section.

# Financial Accounting

Consistent with how other contributions are recorded, how a nonprofit organization receives cryptocurrency donations determines the related accounting. When accepting a donation of cryptocurrency, best practice is that organizations liquidate to cash immediately except in cases where the gift is aligned with the organization's defined investment policy and strategy related to cryptocurrency. The below outlines how to record cryptocurrency donations in accordance with US Generally Accepted Accounting Principles (GAAP) under current standards.<sup>1</sup>



<sup>1</sup> While GAAP does not specifically address cryptocurrency donations, recording the donation would be similar to intangible assets and contributions received and then liquidated to cash. Resources developed in early 2023, and as of that time, FASB is considering issuing accounting guidance for crypto. Therefore, the accounting and tax requirements may change over time.

# How do the solutions to accept cryptocurrency come into play?

## SCENARIO 1

### Cryptocurrency donated via 501(c)(3) Intermediary:

In cases where cryptocurrency is received on your behalf and liquidated immediately by an intermediary, the nonprofit receives the contribution as cash and recognizes the contribution revenue according to GAAP. Remember to properly account for contributions gross of any related processing fees, as well as any donor restrictions on the gift.

## SCENARIO 2

### Cryptocurrency donated to your nonprofit:

Includes Donation Processor, Fundraising Platform, Crypto Checkout, and Direct Acceptance via Cryptocurrency Wallet <sup>2</sup>

In cases in which your organization receives a donation of cryptocurrency directly, whether your wallet is managed by a third party or you manage your own, recognize the contribution based on the Fair Market Value (FMV) of the currency at the time of receipt and note the name, date, and quantity of the asset. The below outlines the steps assuming the contribution is converted to cash immediately:

#### Record the asset (cryptocurrency) at FMV:

ACCOUNT	DEBIT	CREDIT
Cryptocurrency asset	Full FMV of the cryptocurrency	
Contribution revenue		Full FMV of the contributed asset

#### Record the sale of cryptocurrency and receipt of related cash:

ACCOUNT	DEBIT	CREDIT
Cash account	Net amount received	
Appropriate expense account(s)	Related fees and bank service charges incurred	
Asset		Original FMV of the asset sold

If appropriate, debit related loss or credit gain to any change in FMV of the asset from time received to time converted to cash.

<sup>2</sup> Depending on the timing of original receipt of asset and subsequent sale, some organizations choose to simplify the accounting and record one entry.

# Taxation and Internal Revenue Service Reporting

The Internal Revenue Service (IRS) references in the table in this section provide details on taxation and IRS reporting implications when accepting cryptocurrency donations.<sup>3</sup> Depending on the solution used to accept cryptocurrency, some forms may be completed on a nonprofit's behalf.



<sup>3</sup> Consult your tax advisor to understand any unintended consequences to the donor related to cryptocurrency holding requirements that would impact the nonprofit.

# How do the solutions to accept cryptocurrency come into play?

## SCENARIO 1

### Cryptocurrency donated via 501(c)(3) Intermediary:

All forms are completed by the intermediary.

## SCENARIO 2

### Cryptocurrency donated to your nonprofit:

Includes Donation Processor, Fundraising Platform, Crypto Checkout, and Direct Acceptance via Cryptocurrency Wallet

The nonprofit assumes responsibility for completing and filing forms unless otherwise agreed with the Donation Processor, Fundraising Platform, or Crypto Checkout.

### Figure 1. Related IRS Forms

IRS Reference	Description	Donation Size	Nonprofit Role
Initiated by Nonprofit			
<a href="#">Form 8282</a>	Donee Information Return (Sale, Exchange or Other Disposition of Donated Property)	> \$500	Complete Form 8282 within 125 days of sale, exchange, or otherwise disposed cryptocurrency donation if received less than 3 years ago and provide to the donor
<a href="#">Form 990</a>	Return of Organization Exempt from Income Tax		Report cryptocurrency gift as non-cash gift on Schedule M
Initiated by Donor			
<a href="#">Form 8283</a> , Section A	Noncash Charitable Contributions	>= \$500 – \$5,000	None
<a href="#">Form 8283</a> , Section B	Noncash Charitable Contributions including qualified appraisal	> \$5,000	Sign donor form to acknowledge date, receipt of donation, and tax exemption

# Donor Acknowledgement

When a nonprofit directly receives a donation of \$250 or more, it must send a donor acknowledgement to be used by the donor for tax deduction purposes.<sup>4</sup> Many organizations choose to send a donor acknowledgement for all donations regardless of the size. In the case of non-cash donations, including cryptocurrency, nonprofits should describe the item(s) donated but not state the value.

Donor Acknowledgements are required for donations  $\geq$  \$250 and must include the following:

- 1 **Donor Name** or designee managing on behalf of anonymous donor
- 2 **Date of donation**
- 3 **Description of non-cash gift** (not the value)
- 4 **Nonprofit organization name**
- 5 **Statement** regarding whether any goods or services were provided in exchange for the gift<sup>5</sup>

Note the above is not specific to cryptocurrency, but also applies to other non-cash gifts such as stock donations.

<sup>4</sup> Publication 526, Charitable Contributions, <https://www.irs.gov/forms-pubs/about-publication-526>

<sup>5</sup> If there were goods or services provided, org needs to provide an estimate of the related value. This is a requirement for gifts over \$75 (not \$250 or more).



# How do the solutions to accept cryptocurrency come into play?

## SCENARIO 1

### Cryptocurrency donated via 501(c)(3) Intermediary:

A donor acknowledgement is sent by the intermediary. Additionally, you may also want to send a thank you to the donor.

## SCENARIO 2

### Cryptocurrency donated to your nonprofit:

Includes Donation Processor, Fundraising Platform, Crypto Checkout, and Direct Acceptance via Cryptocurrency Wallet

The nonprofit assumes responsibility for completing and sending the acknowledgement unless otherwise agreed with the donation processor, fundraising platform or crypto checkout.

## Donor Acknowledgement Template

Effective Date: [ADD DATE]      Version Number: [ADD VERSION]

[ORGANIZATION NAME]

[ORGANIZATION ADDRESS]

[DATE]

Dear [DONOR NAME OR DESIGNEE] ,

On behalf of [ORGANIZATION NAME] , a 501(c)(3) tax exempt organization, thank you for your donation of [DESCRIPTION OF GIFT, SUCH AS 0.50 BTC (rather than \$8,600 BTC)] received on [ADD DATE] .

No goods or services were provided in exchange of this gift. Please consult a tax professional for any tax advice related to the gift. Some gifts may require the completion of Form 8283 and a third-party appraisal.



# Cryptocurrency Gift Acceptance Policy

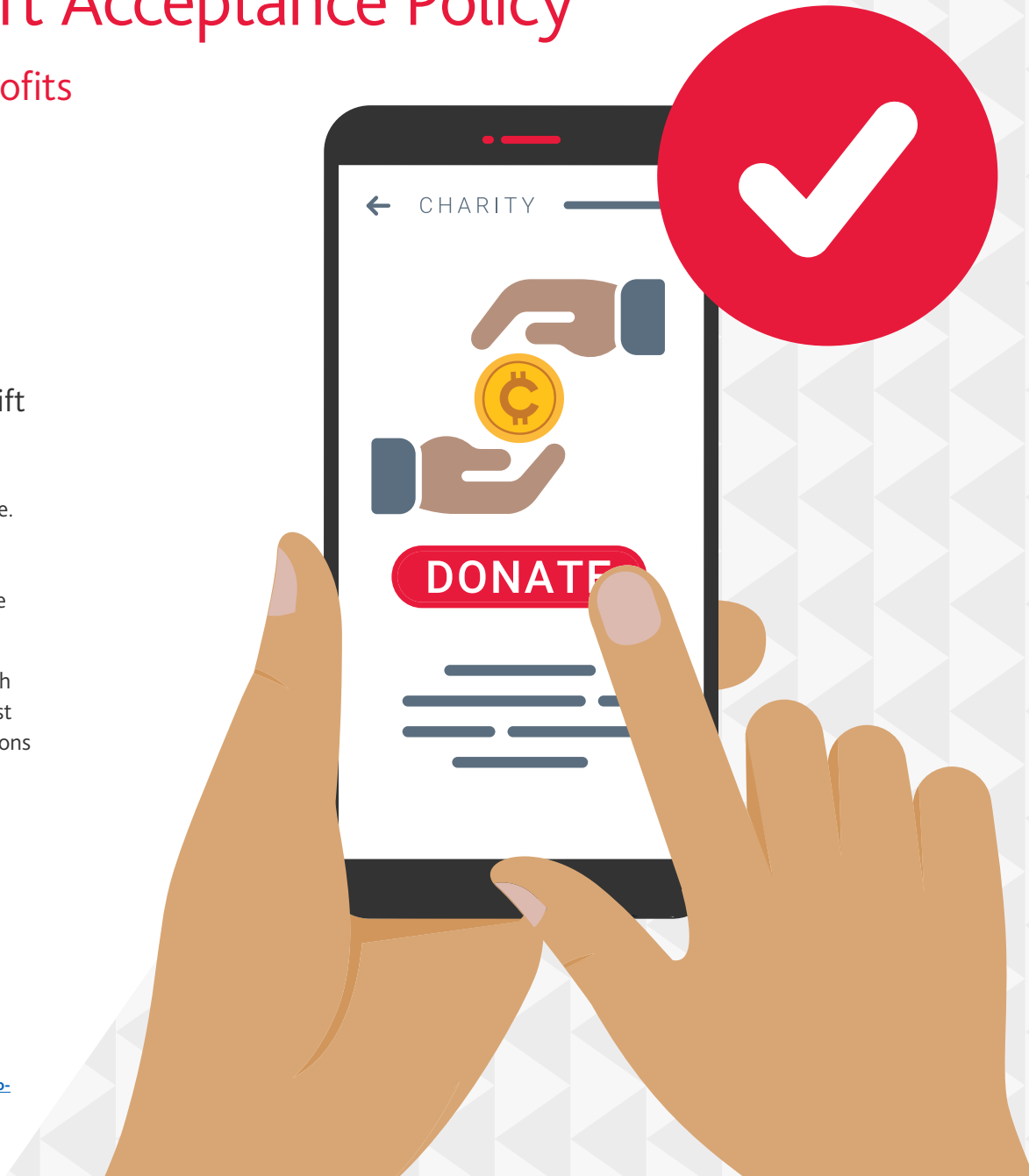
## A Guide and Template for Nonprofits

This section includes a guide and template for nonprofit leaders to create a Cryptocurrency Gift Acceptance Policy. This policy can be expanded to include other non-cash gifts such as stock donations or incorporated into a larger gift acceptance policy.

**Part 1:** The first part is a companion guide to the template. The guide assists nonprofit leaders in determining what steps the organization will take to minimize potential risks, have consistency when appropriate, and incorporate organizational values.

**Part 2:** Includes a Gift Acceptance Policy Template<sup>6</sup>, which allows nonprofit leaders to choose which options are most appropriate for the organization. At a minimum, the sections in blue should be customized.

<sup>6</sup> We are grateful for the outline including considerations of cryptocurrency gift acceptance policies by Eleanor Moran McWaters and Charles C. Hwang both of Crowell & Moring LLP. Some of the content in the policy had been adapted from the considerations and related research. For more information see <https://news.bloombergtax.com/tax-insights-and-commentary/considerations-for-crypto-specific-gift-acceptance-policies>.



# How do the solutions to accept cryptocurrency come into play?

Regardless of how an organization accepts cryptocurrency, a Cryptocurrency Gift Acceptance Policy should be in place. The solution used and choices made within each technology solution impact the acceptance criteria. As an example, some donation processors enable the ability to turn on or off the option to be an anonymous donor.

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## Part 1: Guide

Below you will reflect on what is important to your organization regarding acceptance and steps you will take when accepting gifts of cryptocurrency.

**Step 1:** Assess the risk factors your organization faces when accepting or declining gifts of cryptocurrency, given the solution(s) in place to accept cryptocurrency and gift acceptance policy for other donations. See *Key Considerations* for more.

**Step 2:** Establish strong internal controls to manage risks if accepting cryptocurrency donations directly (i.e., not through an intermediary). Examples include the following:

- ▶ **Data sharing / Key Management:** Under what conditions will information be shared, including the organization's wallet address?
- ▶ **Multiple approvals:** How many approvals are required to access sensitive information?
- ▶ **Wallet type:** What type of wallet (e.g., single key vs multisig, hot vs cold/offline) is appropriate?
- ▶ **Cyber security:** Is the platform being used compliant with relevant data security standards? Will the organization require (additional) cyber security insurance?
- ▶ **Bank account:** What account will be provided to receive cash upon liquidation?

**Step 3:** Develop a Gift Review Committee to review gifts, determine how to handle gifts that meet circumstances not outlined in the policy, and review the appropriateness of the policy. This committee could be comprised of the Board of Directors, executive staff, development team, or a combination.

**Step 4:** Determine strategy for processing accepted donations. Best practice is donations are liquidated to cash as soon as possible upon receipt of the gift.

**Step 5:** Review and adapt your policy as your priorities and the cryptocurrency market change. Include, at a minimum, a policy review by the Board of Directors.

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## Part 2: Template

Choose which of the following criteria will be used when evaluating the acceptance of a cryptocurrency gift. Answers to the following may depend on the type of cryptocurrency solution you are using.

### Cryptocurrency Gift Acceptance Policy

Effective Date:

Version Number:

#### Purpose

A Gift Acceptance Policy provides a consistent way to determine which gifts will or will not be accepted. It considers what is important to the organization as well as what risks it may want to mitigate.

#### Evaluation of the gift will include the following completed by

Gift Review Committee    Executive Director    Development    Other:

- ▶ How does the gift align with our core values?
- ▶ What is the reputational risk of accepting the gift?
- ▶ What are the costs of accepting the gift?

#### Donor Profile and Restrictions

All gifts will be reviewed and accepted upon approval by the Gift Review Committee.

We will only accept anonymous donations<sup>7</sup> up to \$ \_\_\_\_\_.

We will not accept donations from unidentified individuals though will list donor as anonymous per request.

We will not accept donor restrictions.

We will accept donor restrictions on a case by case basis after an evaluation of the financial and mission impact.

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<sup>7</sup> Technology solutions sometimes include an option to turn off/on the ability to accept anonymous donations.

## Technology

We will accept cryptocurrency donations via the following solutions:

We will accept cryptocurrency donations via various exchanges, wallets, and types of coins except the following:

We will accept cryptocurrency donations limited to the following exchanges, wallets, and types of coins:

## Liquidation to Cash

We will liquidate donations immediately.<sup>8</sup>

Liquidation will follow our Investment Policy.

Liquidation will be determined on a case by case basis by the Gift Review Committee.

## Appraisals

Donors bear all responsibility to secure and pay for independent appraisals of all gifts valued above \$5,000 if one is required

Organization may elect to secure and pay for appraisals, or reimburse donors for appraisal costs, with gift acceptance committee approval

## Policy Updates

This policy will be reviewed **every year / every other year** at a minimum, by the **Gift Review Committee / Executive Committee / Development Committee**, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the **Gift Review Committee / Executive Committee / Development Committee** to the Board of Directors.

At any time, the Gift Review Committee may review any donation and assess circumstances not included above.

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<sup>8</sup> Some 3rd party solutions will liquidate immediately on your behalf.

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