An illustration showing four hands of different skin tones (light, dark brown, light, and dark brown) holding gold Bitcoin coins. The hands are positioned around a central Bitcoin coin, with one hand holding it from below and others holding smaller ones from the top. The background is white with diagonal grey and red sections.

# Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

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## While cryptocurrency has had its ups and downs, the market is valued at over \$1 trillion<sup>1</sup>. Many nonprofit leaders wonder if accepting cryptocurrency donations is right for their organizations, and if yes, how to get started.

Nonprofit leaders may have questions:

- ▶ 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?

Developed in 2023 by a team of nonprofit management professionals and informed by interviews with nonprofit leaders and cryptocurrency solutions providers, this guide is designed to help leaders of 501(c)(3) nonprofit organizations, specifically with small to mid-size organizations in mind, navigate whether and how to accept crypto currency 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.

**“** *Hearing the word "crypto" can be scary. What IS crypto? Is it real, is it safe to buy, sell, accept donations? My job as the Chief Financial Officer is to make sure the organization stays relevant and current in its financial infrastructure. Before accepting a gift of cryptocurrency, it was important to educate our Leadership Team, our Board of Trustees, and our Donors, about crypto, based on facts. These conversations allowed us to make the right decision whether to accept or not, as well as how, in alignment with what is important to our organization. Having trusted resources such as this toolkit, are critical to continued learning and growing in an ever-changing world.”*

**KIMBERLY SPURGEON**, Dayton Art Institute

<sup>1</sup> Approximated, as of May 2023

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# Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

Overview



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## Nonprofit leaders may have questions:

Today's market capitalization of cryptocurrency is \$1.1 trillion<sup>1</sup>, 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 2021<sup>2</sup>. 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 professionals<sup>3</sup> 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,<sup>4</sup> 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.

<sup>1</sup> Approximated, as of May 2023

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

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

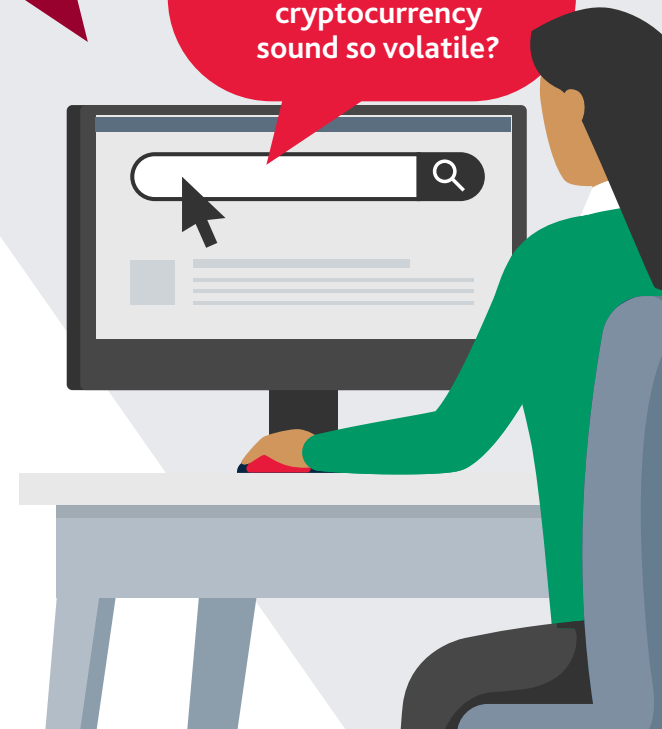
<sup>4</sup> Though these resources were developed for the leaders of 501(c)(3) nonprofit organizations, some information, particularly key considerations outlined in **Key Considerations**, may be relevant for leaders of other tax-exempt organizations, of fiscally sponsored projects and of charitable 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,<sup>5</sup> 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.



<sup>5</sup> 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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# Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

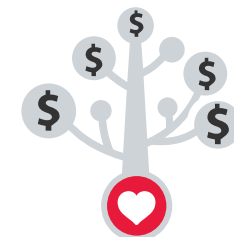
Key Considerations



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As with any form of giving, the decision to pursue cryptocurrency donations is a strategic one that should be evaluated on a risk-reward and cost-benefit basis. Here we will summarize several factors that nonprofit leaders should be aware of as they consider cryptocurrency fundraising. Refer to the **Engaging with Stakeholders** slide deck to facilitate conversations around the key considerations.



click on each topic to jump to that section

# Potential Reputational Considerations

The decision to associate your organization, however indirectly, with the cryptocurrency industry carries with it potential risks to the organization's image and reputation, which may be more pronounced depending on your mission area and key stakeholders (including other donors, staff, constituents, beneficiaries of services, etc.).

In this section we will detail several of those considerations and ways to think about and potentially mitigate them in your decision-making process:

- ▶ Environmental Impact
- ▶ Source of Funds
- ▶ Donor Demographic



## Environmental Impact

The process of creating (or “mining”) some cryptocurrency such as Bitcoin is an energy-intensive one, requiring a substantial amount of electricity-powered computer processing. One estimate of the annual electricity consumption of the Bitcoin mining process equates it to the annual consumption of the Philippines;<sup>1</sup> another study found that on a dollar-for-dollar basis the environmental impact of Bitcoin is comparable to that of the beef or gasoline industries.<sup>2</sup>



For nonprofits with a focus on environmental sustainability, a decision to accept cryptocurrency donations may appear incongruous with the mission goals of the organization. For some, this may indeed be enough of a flashpoint for stakeholders to rule out soliciting or even accepting cryptocurrency donations — or at least donations of Bitcoin, which is considered the most environmentally problematic of the currencies. Some cryptocurrencies make an effort to prioritize environmental sustainability in their production — Ethereum (the second largest cryptocurrency), for example, recently completed a process intended to substantially reduce the carbon footprint of creating tokens.

That said, all nonprofits use resources — electricity to power computers, oil and gas to heat buildings, gasoline to travel to communities — that can cause pollution and other negative externalities. Accepting donations of cryptocurrency is likely to be far down the list of factors in an organization’s carbon footprint, and an indirect one at that (assuming the organization isn’t itself mining crypto). So leaders may decide that the good they are able to do with the proceeds of cryptocurrency donations outweighs a possible connection between those donations and the process of creating the original asset.

## Source of Funds

One key feature of cryptocurrency is its anonymity<sup>3</sup>; unlike with traditional banking transactions, transferring cryptocurrency funds from one account to another can be done anonymously since account ownership is not identified (accounts are accessed by their owners only with a digital “key”). This feature creates the possibility of cryptocurrency being used for illegal activities such as money laundering, drug trafficking and tax evasion; indeed, one 2019 study estimates that nearly half of all Bitcoin transactions (by value) are associated with illegal activity.<sup>4</sup> Such high estimates of illicit cryptocurrency usage are disputed by other sources, and given the opacity (by design) of cryptocurrency ownership there is no way to know for sure how many or which transactions are illicit. On the other hand, the anonymity of cryptocurrency can also provide a means of supplying resources to organizations and movements at risk of government suppression, such as political dissidents and reproductive rights organizations, among others.



The anonymity inherent in cryptocurrency may give some nonprofit leaders pause in considering associating their organizations with the technology, particularly organizations focused on financial transparency or anti-trafficking. That said, practically any medium of exchange can be used for illicit purposes, and looking deeply into the origins of fortunes that now drive philanthropic giving around the world may turn up some objectionable practices and associations.<sup>5</sup> The best defense against this type of reputational risk is knowing your donors and rejecting donations — whatever their form — that could jeopardize your organization’s image or integrity.<sup>6</sup>

1 [ccaf.io/cbeci/index/comparisons](https://ccaf.io/cbeci/index/comparisons)

2 [www.nature.com/articles/s41598-022-18686-8](https://www.nature.com/articles/s41598-022-18686-8)

3 Or technically *pseudonymity*—blockchain transactions (including sender and receiver) are public, though account holders real names need not be publicly disclosed.

4 [academic.oup.com/rfs/article-abstract/32/5/1798/5427781](https://academic.oup.com/rfs/article-abstract/32/5/1798/5427781)

5 “Behind every great fortune there is a crime.” – Balzac

6 Some cryptocurrency solutions may conduct blockchain analysis to help verify the source and legitimacy of funds being donated. Also note that cryptocurrency wallet addresses known to be associated with illicit/illegal activities are published in the Specially Designated National and Blocked Persons (“SDN List”) published by the Office of Foreign Assets Control (“OFAC”) of the US Department of the Treasury. Donation addresses should be checked against this list: [home.treasury.gov/policy-issues/financial-sanctions/specially-designated-nationals-and-blocked-persons-list-sdn-human-readable-lists](https://home.treasury.gov/policy-issues/financial-sanctions/specially-designated-nationals-and-blocked-persons-list-sdn-human-readable-lists). Organizations may also choose to require donors to complete a form with identifying information as part of the donation process.

## Donor Demographics

Communication with donors, like any of the communication you do, tells your audience something about who you believe shares your commitment to your organization and its mission. Future donors may also become advocates, employees, and even board members. So, it is wise, when developing new audiences or pursuing new kinds of donors, to understand their demographics and any cultural representations about them that you and your existing stakeholders may encounter. A recent survey of 1,000 Americans indicates that a majority of cryptocurrency investors are men under 55 and that 39% of investors identify as people of color. Politically, cryptocurrency investors are spread widely across the spectrum.<sup>7</sup> Nevertheless, cryptocurrency has, whether accurately or not, come to have cultural associations that you may encounter in conversations with your stakeholders, board and other donors. Should you choose to actively solicit donations of cryptocurrency, you should also take some time to learn about the cultural associations that have built up around cryptocurrency so you are prepared to discuss them with your community of stakeholders.



<sup>7</sup> <https://navigatorresearch.org/demographic-and-political-profiling-of-cryptocurrency-investors/>

# Financial Considerations

With all of those considerations in mind, nonprofit leaders should consider the extent to which soliciting and receiving donations of cryptocurrency may be viewed negatively by organizational stakeholders, and whether those negative viewpoints can be addressed or mitigated. In addition to reputational considerations, nonprofit leaders should also consider the financial impacts on their organizations of a cryptocurrency fundraising strategy.

The following will be addressed in this section:

- ▶ Volatility
- ▶ Financial Operations
- ▶ Fundraising Potential



## Volatility

People who know nothing else about digital coins or blockchain technology, whose only exposure to cryptocurrency comes from news reports or friends on social media, are likely aware of the inherent volatility of the asset class. Since its inception, the value of one bitcoin in US dollars has ranged from pennies to more than \$60,000, with many peaks and valleys in between. Over the past year (as of this writing), the currency has lost more than 70% of its value, with likely more booms and busts in store for the future. Other cryptocurrencies — particularly smaller and less established ones — can be even more volatile.



Moreover, patchy regulation and questionable actors in the cryptocurrency space can make this asset even riskier for users and investors. As we write this guide, the industry is still feeling the impact of a recent crypto exchange collapse, which wiped out potentially billions of dollars of customer holdings amid dubious management and accounting practices (if not outright fraud). In addition to shaking confidence in the infrastructure of the industry, this event triggered yet another “cryptocurrency crash” in the price of many of the currencies.

Owning cryptocurrency, then, exposes individuals and organizations to the volatility of an uncertain and sometimes unstable market. Fortunately, this volatility need not be a concern for nonprofit organizations seeking cryptocurrency donations provided they follow this best practice: immediately liquidate any donated cryptocurrency for US dollars.<sup>8</sup> Holding cryptocurrency donations exposes nonprofits to the volatility of the market, which could result in significant decreases in the value of those donations and threaten the organization's financial health. Apart from the financial loss, this could indicate to other potential donors and stakeholders that the organization is not being a good steward of its resources.

Note that the best practice of immediate liquidation applies not only to cryptocurrencies but to donations of any type of potentially volatile financial assets that an organization may receive: stocks, bonds, precious metals, investment properties, etc. Nonprofits receiving such donations should convert them to cash to be deployed or invested in accordance with the organization's mission and any applicable policies.<sup>9</sup>

## Finance Operations

Given that cryptocurrency is a relatively new technology — and, from an accounting perspective, a new type of asset — organizations will likely need to make certain investments in their infrastructure in order to receive, process, manage and account for cryptocurrency donations.



First, cryptocurrency is not cash, so receiving a cryptocurrency donation isn't as simple as cashing a check or receiving a bank transfer. Cryptocurrency is held and circulated via digital “wallets” which exist outside the regular banking system and can require some degree of technical and theoretical understanding to effectively manage. As we will cover in more detail in the *Solutions Companion*, resources do exist to assist users with managing their cryptocurrency wallets, or even to fully handle donations of cryptocurrency and simply pass the cash on to the recipient, but nonprofit leaders will need to decide which solution works best for their organization and set up and maintain those systems and processes accordingly.

Additionally, doing business in the cryptocurrency world will require nonprofits to keep up to date on accounting rules as well as legal regulations and requirements related to this technology. The *Policies and Procedures* section of this guide details current accounting and reporting guidance on cryptocurrency, though these could change over time and leaders of organizations who receive cryptocurrency donations should keep a close eye on any updates to the applicable rules.

<sup>8</sup> The volatility of cryptocurrency may, of course, impact the net worth of potential donors and so indirectly affect the financial position of organizations with a cryptocurrency fundraising program.

<sup>9</sup> This is not to say that no nonprofit should ever own (for example) stocks and bonds—indeed, many organizations hold an investment portfolio to generate a financial return from endowments, reserves or other excess cash. But these investment decisions should be in accordance with a board-approved investment policy that balances risk and return, rather than being based on whatever assortment of stocks have been given by donors over time. It's even conceivable that a nonprofit may—intentionally—include cryptocurrency in an appropriately diversified investment portfolio, although this should be left to only the most risk-tolerant organizations pursuing a specific investment strategy.

## Fundraising Potential

Finally, perhaps the most practical consideration that nonprofit leaders should include in their evaluation of cryptocurrency donations is whether their own organization has a robust enough base of donors (or potential donors) holding this asset — and interested in giving it away — to make investments in cryptocurrency fundraising worthwhile.

Those investments need not necessarily be large ones. As later sections of this resource will detail, a nonprofit organization can set up the capacity to accept donations of cryptocurrency with very little cost or effort through certain third-party vendors, who may even pass the donations to the nonprofit in cash (thus avoiding the step of having to liquidate). For nonprofits who have little reason to expect significant amounts of cryptocurrency to roll in but would like to have the option in case a donor makes an unexpected offer, this may be all that's necessary. Minimal investment may result in minimal return.

Some vendors combine cryptocurrency processing with donor cultivation and marketing support, to varying degrees. For the organization with limited exposure to fundraising activities, these services may be of particular interest, though organizations using these services will still need to invest in how that support is leveraged — “set it and forget it” is unlikely to result in significant or sustained contributions.

A proactive, concerted fundraising strategy is required to actually see a significant amount of cryptocurrency donations, just as a planned/legacy giving or capital campaign would. Leaders need to ask themselves whether investment in such a strategy would be worth it, i.e., likely to generate a similar return as their other fundraising activities.

Questions for leaders considering a cryptocurrency fundraising strategy should include:

- ▶ What is our current approach to individual donor and/or major gifts fundraising? Do we have the time, skills and tools to prospect and cultivate donors, process and acknowledge gifts? What existing capacity can we leverage? If our existing capacity is limited, what resources can we invest to grow?
- ▶ Do current donors hold cryptocurrencies? Have we been approached about receiving cryptocurrency donations?
- ▶ Do we have prospects or potential donors who are likely to be cryptocurrency investors? Would the ability to offer cryptocurrency donations be appealing to them? Could it be an opportunity to engage with new donors?
- ▶ Do we understand and have access to networks of cryptocurrency owners and investors? Is the mission or other characteristics of our organization likely to appeal to them?
- ▶ Are there reasons that our (current and potential) donors would be particularly interested in donating cryptocurrency rather than just cash?<sup>10</sup>



Simply signing up for an account on a cryptocurrency donation portal and putting a “cryptocurrency accepted here” button on your website is unlikely to open the floodgates for donations. “If you build it, they will come” is not a cryptocurrency fundraising strategy, though it may enable the odd contribution here and there. Truly engaging in cryptocurrency fundraising requires investments of time, energy and resources, and nonprofit leaders should thoughtfully evaluate these investments against their likely return to make the appropriate decision about the extent of their organizations’ involvement in this area.

<sup>10</sup> For example, a cryptocurrency donation may enable a donor to avoid capital gains taxes on the appreciated value of cryptocurrency holdings yet still receive a tax deduction for the full value of the currency by donating. See [www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions](https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions), esp. Qs 34 and 35.



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# 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.**

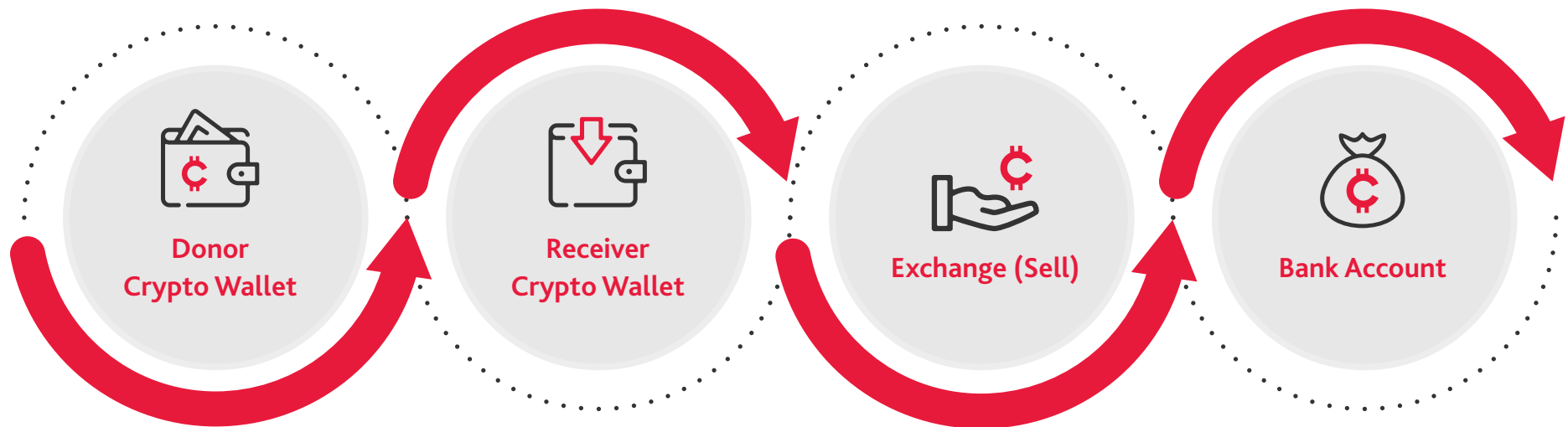
Donors simply give the cryptocurrency to the intermediary (itself a 501(c)(3) entity) with a designation to the ultimate recipient, and the intermediary in turn liquidates the cryptocurrency to cash, donates that cash directly to the receiving organization, and handles the reporting and compliance responsibilities 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.



# Solutions to Accept Cryptocurrency Donations<sup>1</sup>

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.



<sup>1</sup> 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

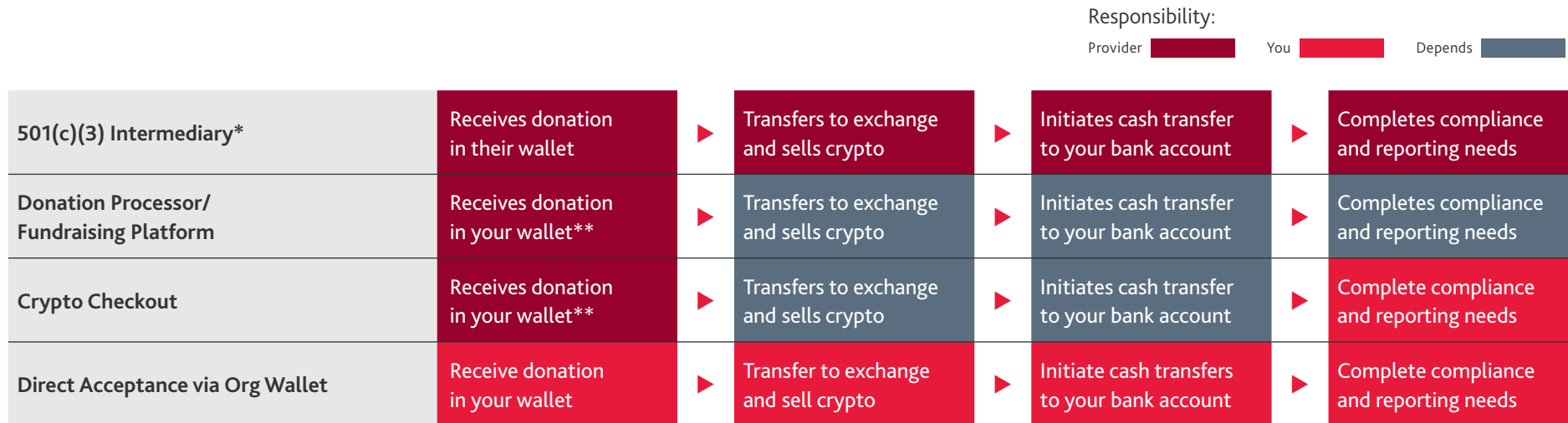
	KEY FEATURE = <input type="text"/>	501(c)(3) Intermediaries	Donation Processors	Fundraising Platforms	Crypto Checkouts	Direct Acceptance via Wallets
<b>Ownership &amp; Custody</b>	Third party involvement in transactions	YES	YES	YES	YES	
	You never own crypto (even if for a short period)	YES				
<b>Capacity &amp; Reporting</b>	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				
<b>Fundraising</b>	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		
<b>Cost</b>	Robust customer support		YES	DEPENDS		
	Subscription fees	NO	DEPENDS	DEPENDS	NO	NO
<b>Additional</b>	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



\*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
<b>Ownership &amp; Custody</b>	Third party involvement in transactions	YES
	You never own crypto (even if for a short period)	YES
<b>Capacity &amp; Reporting</b>	Compliance and reporting needs managed for you	YES
	Donors must be provided wallet info individually	
	Simple setup & no added policies and procedures	YES
<b>Fundraising</b>	Acts as donor database	
	Access to fundraising support (e.g., training, pooled funds, 1:1)	YES – limited
<b>Cost</b>	Robust customer support	
	Subscription fees	NO
<b>Additional</b>	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.

<sup>2</sup> 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.<sup>2</sup> 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
<b>Ownership &amp; Custody</b>	Third party involvement in transactions	YES
	You never own crypto (even if for a short period)	
<b>Capacity &amp; Reporting</b>	Compliance and reporting needs managed for you	DEPENDS
	Donors must be provided wallet info individually	
	Simple setup & no added policies and procedures	
<b>Fundraising</b>	Acts as donor database	
	Access to fundraising support (e.g., training, pooled funds, 1:1)	YES
<b>Cost</b>	Robust customer support	YES
	Subscription fees	DEPENDS
<b>Additional</b>	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
<b>Ownership &amp; Custody</b>	Third party involvement in transactions	YES
	You never own crypto (even if for a short period)	
<b>Capacity &amp; Reporting</b>	Compliance and reporting needs managed for you	DEPENDS
	Donors must be provided wallet info individually	
	Simple setup & no added policies and procedures	
<b>Fundraising</b>	Acts as donor database	YES
	Access to fundraising support (e.g., training, pooled funds, 1:1)	YES – may not be crypto specific
<b>Cost</b>	Robust customer support	DEPENDS
	Subscription fees	DEPENDS
<b>Additional</b>	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
<b>Ownership &amp; Custody</b>	Third party involvement in transactions	YES
	You never own crypto (even if for a short period)	
<b>Capacity &amp; Reporting</b>	Compliance and reporting needs managed for you	
	Donors must be provided wallet info individually	
	Simple setup & no added policies and procedures	
<b>Fundraising</b>	Acts as donor database	
	Access to fundraising support (e.g., training, pooled funds, 1:1)	
<b>Cost</b>	Robust customer support	
	Subscription fees	NO
<b>Additional</b>	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
<b>Ownership &amp; Custody</b>	Third party involvement in transactions	
	You never own crypto (even if for a short period)	
<b>Capacity &amp; Reporting</b>	Compliance and reporting needs managed for you	
	Donors must be provided wallet info individually	YES
	Simple setup & no added policies and procedures	
<b>Fundraising</b>	Acts as donor database	
	Access to fundraising support (e.g., training, pooled funds, 1:1)	
<b>Cost</b>	Robust customer support	
	Subscription fees	NO
<b>Additional</b>	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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# Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

Policies & Procedures

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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

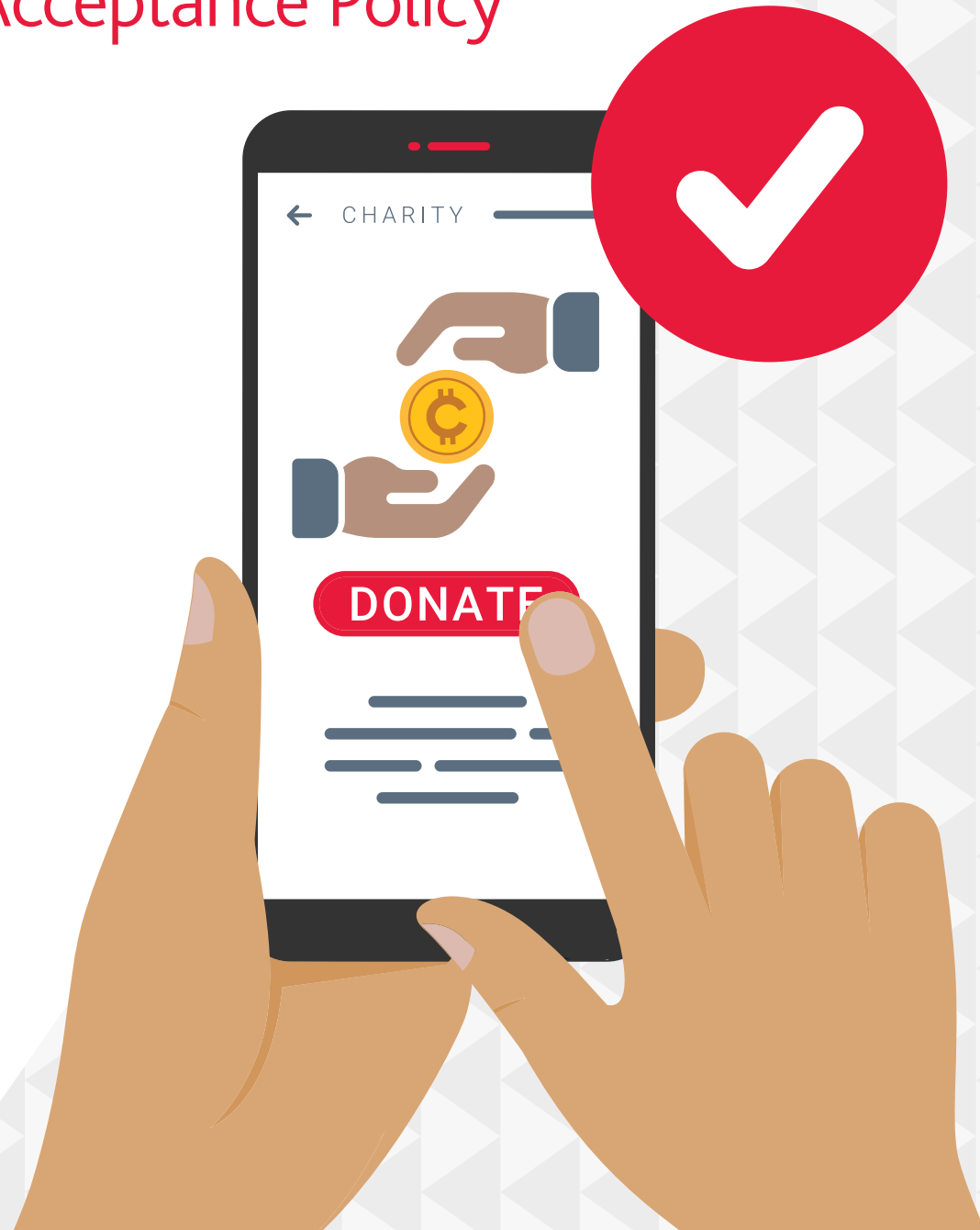
## A Guide and Template for Nonprofits

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.

---

<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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# Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

Fundraising Resources

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# Fundraising Resources

## QuickStart for Cryptocurrency Fundraising:

**1. Determine who will do what** considering how you will incorporate cryptocurrency donations in your current operations and strategy, as well as identifying and executing where processes may differ from other donations.

**2. Build your potential donor list** identifying how they have engaged with you in the past and how they might engage in the future.

### 3. Craft your storytelling

- ▶ Identify mediums such as shortform videos, which can be a powerful engagement tool for younger donors.
- ▶ Avoid fundraising language that may result in restrictions on how contributions can be used, unless part of an intentional strategy to do so.

### 4. Show up where donors are

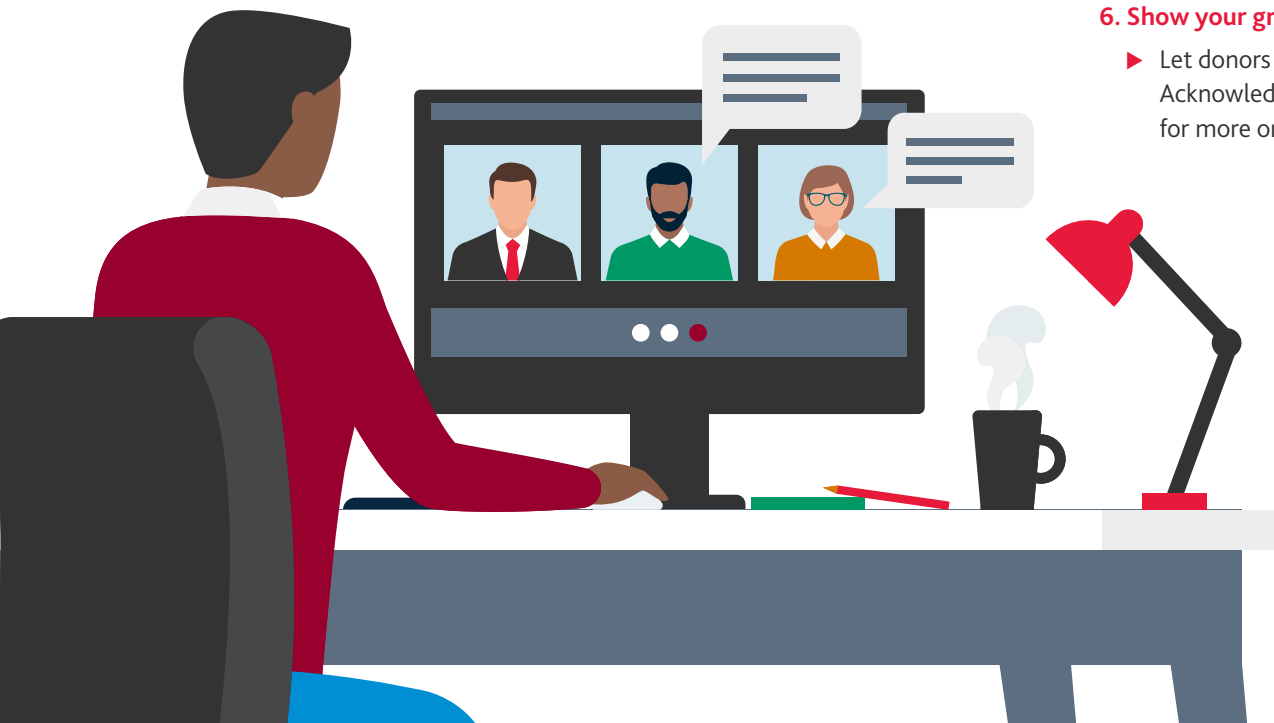
- ▶ Target online engagement. Think beyond email to social media and other virtual communities.
- ▶ Consider text message (SMS) campaigns as an alternative to direct mail, and use texting to follow up – avoid phone calls.

### 5. Make it easy for donors and yourself

- ▶ Limit the numbers of steps needed for donation processing through technology solutions, and make donations available via your website. See the **Solutions Companion** for more information.
- ▶ Collect only the data you need, and organize donor data to help you understand and engage with donors.

### 6. Show your gratitude

- ▶ Let donors know why the gift was important to you, and send Donor Gift Acknowledgements (required for gifts over \$250). See **Policies & Procedures** for more on gift acknowledgements including a template.



# Example Social Posts



## EXAMPLE SOCIAL POST A

[Organization name] now accepts cryptocurrency donations - to learn more about why and how we made this choice, how it helps our mission, and to donate today, please visit [web link]

## EXAMPLE SOCIAL POST B

Did you know capital gains taxes may not apply when donating cryptocurrency? We're now accepting crypto donations – and we've made it super easy! Visit [web link] to donate crypto and make a difference.



# Example Emails to Donors

## EXAMPLE EMAIL TO DONOR LIST A

Our ability to drive our mission forward relies on the support of donors. Donors rely on [our organization]'s ability to make supporting our work easy, safe, and worthwhile.

We thought carefully about the decision to accept cryptocurrency donations and chose an approach matched to our goals and values. It's easy, safe, and enables you to give cryptocurrency so that our work can be successful.

To learn more about why and how we chose to accept cryptocurrency donations, how it helps our mission, and to donate today, please visit [web link].

## EXAMPLE EMAIL TO DONOR LIST B

We're committed to leaving no stone unturned to achieve our mission – which is why we've added the ability to accept cryptocurrency donations for a new way you can make a difference. Did you know cryptocurrency donations may not be subject to capital gains taxes on the appreciation in value? A tax professional can advise on what this could mean for you.

We hope you'll consider how your cryptocurrency can be used to drive the change we need for our world. No crypto? No sweat. Click here [web link] to learn about all the ways to give, and support our critical mission today.



**Rebecca Coker**, Nonprofit and Grantmakers Advisory Managing Director  
rcoker@bdo.com

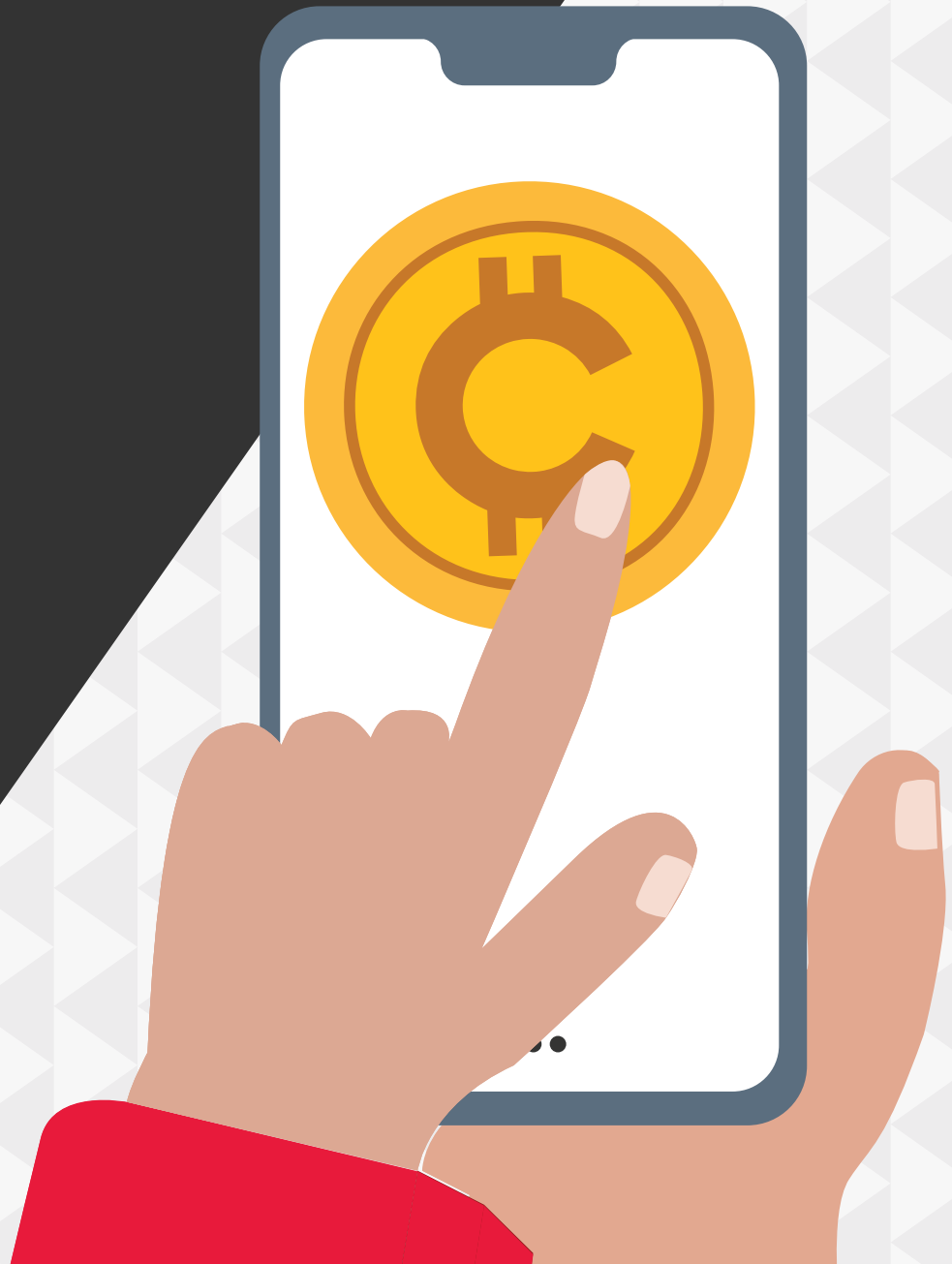
**Dipty Jain**, Nonprofit and Grantmakers Advisory Partner  
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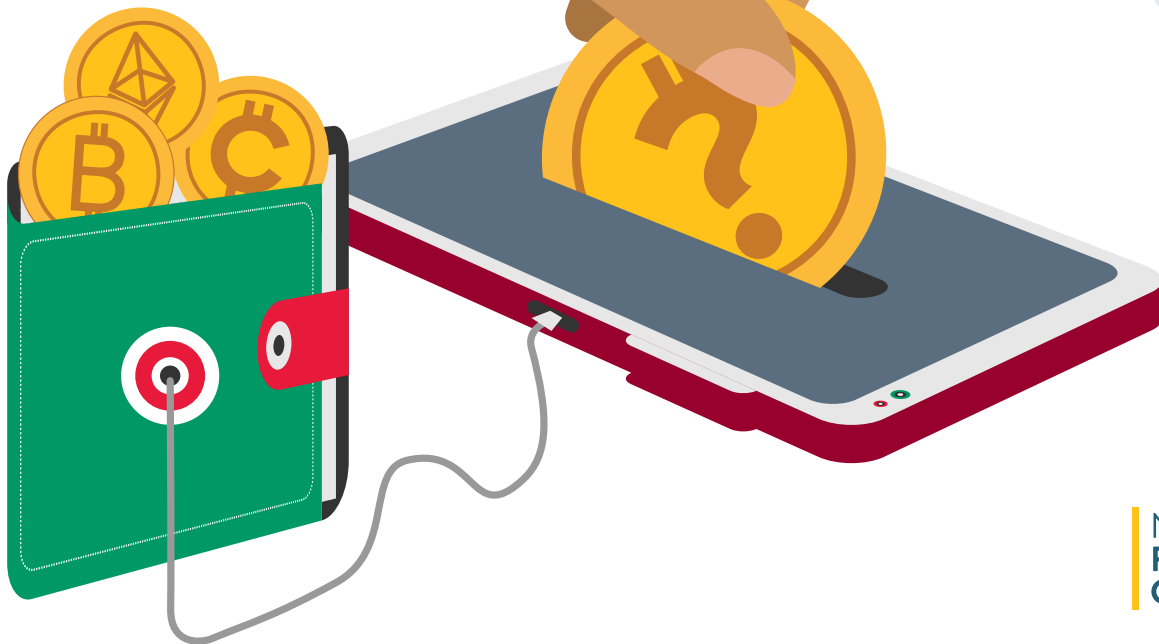
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# Demystifying Cryptocurrency Donations: A Guide for Nonprofit Leaders

[More Information](#)



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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.



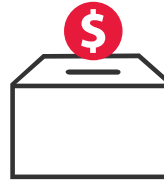
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## Terms & How Cryptocurrency Works

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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.

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