



Nonprofit Fundraising and Cryptocurrencies

Organizational fundraising and advancement efforts remain critical to the success of any charitable organization. In addition, foresight and creativity can be powerful tools in the competitive landscape of finding new donors. Cryptocurrencies, such as Bitcoin, Ethereum and Litecoin, have become regular topics of investment conversations and are widely owned by individuals around the world. In fact, the collective value of these assets has, depending on the day and price, exceeded \$2 trillion.ⁱ

Why is this important?

While most current donations are made through traditional means, such as a check, credit card, wire transfer or appreciated assets, forward-thinking nonprofits may want to consider offering more flexibility. Many global charities are currently accepting crypto donations, and more are joining that list every day. In fact, according to a recent report by the New York-based cryptocurrency exchange Gemini, there are more than 21 million Americans who currently own crypto assets with an average age of 38 and an annual income greater than \$111,000.ⁱⁱ A more detailed review of crypto owner demographics from a recent survey of wealthy investors conducted by CNBC yielded particularly interesting and revealing facts:ⁱⁱⁱ

- More than 83 percent of millennial millionaires hold cryptocurrency assets.
- 53 percent of those millennials have at least half of their wealth in cryptocurrencies.
- 25 percent of Gen X investors hold crypto investments, but that number declines for older generations.

Seeing the increasing use of, and reliance on, cryptocurrencies as an investment of choice for younger generations, you might reasonably assume these potential donors may seek charitable contributions in cryptocurrencies as well. While cryptocurrency donations are a very small percentage of aggregate charitable giving, the year-over-year trends are showing incredible growth. According to Fidelity Charitable^{iv}, there was an 860 percent increase in digital asset donations from 2020 to 2021.

How can a nonprofit explore accepting donations in cryptocurrency?

Several platforms have been developed with the express purpose of enabling nonprofits to accept donations of digital assets in an efficient, secure and cost-effective manner.

Without a platform in place, an individual wishing to donate cryptocurrency is required to sell their asset on an exchange, realize any capital gains, transfer the proceeds of the sale back to their account and then make the actual donation through a traditional method. If their preferred charity were using a crypto platform, in simplest form, the donor could transfer their cryptocurrency to the platform vendor who would, in very short order, sell the digital asset converting directly into U.S. dollars and transfer proceeds directly to the charity. This direct donation of the asset avoids the realization of capital gains, a much more tax-friendly outcome for the donor.

Other considerations

Many widely used traditional asset custodians have yet to develop a system for transacting in cryptocurrencies, which has led to the creation of this relatively new industry. As with any service, there are costs involved and they will vary by vendor. The typical arrangement may involve a modest annual cost plus a service fee per transaction, which might range from three



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percent to five percent. While the service fee may feel high, the following are some features offered on leading platforms:

- Transactions in most major digital currencies
- Automated receipts for donors
- Tax form generation
- Administrative setup and ongoing support
- Creation of cryptocurrency giving page on client website
- Reporting packages and support

While vendors providing these services do not typically provide tax or audit advice, they are generally able to assist with preparing reports to assist the staff of the nonprofit in preparing for filings.

Final Thoughts

Adding the ability to accept donations in cryptocurrency could be a valuable tool in helping any charity or nonprofit organization grow and keep pace with the evolving needs of a complex donor base. As with any vendor, we suggest conducting a thorough review of at least two vendors, which should include an evaluation of their organizational structure and resources, a review of platform security features and a demonstration of the tool itself. At Apollon, we are happy to assist you in this process and look forward to helping advance your organizational capabilities.

If you have questions or would like to discuss how we can help identify the best solution for your organization, please reach out to any of the professionals at [Apollon](#).

ⁱ [Cryptocurrency Market Capitalization | Real-Time Prices](#)

ⁱⁱ [State of Crypto: 2021 US Report | Gemini](#)

ⁱⁱⁱ [Millennial millionaires plan to add more crypto in 2022, CNBC survey says](#)

^{iv} [Fidelity Charitable received \\$270M crypto this year — breaking previous \\$69M record \(protos.com\)](#)

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- CFPB's Consumer Advisory: [chrome- https://www.consumerfinance.gov/about-us/newsroom/cfpb-warns-consumers-about-bitcoin/](https://www.consumerfinance.gov/about-us/newsroom/cfpb-warns-consumers-about-bitcoin/)
- CFTC's Customer Advisory: https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/understand_risks_of_virtual_currency.html#:~:text=Virtual%20currencies%20are%20commonly%20targeted,you%20store%20your%20virtual%20currency.
- SEC's Investor Alert: https://www.sec.gov/oiea/investor-alerts-bulletins/investoralertsia_bitcoin.html
- FINRA's Investor Alert: <https://www.finra.org/investors/alerts/bitcoin-more-bit-risky>