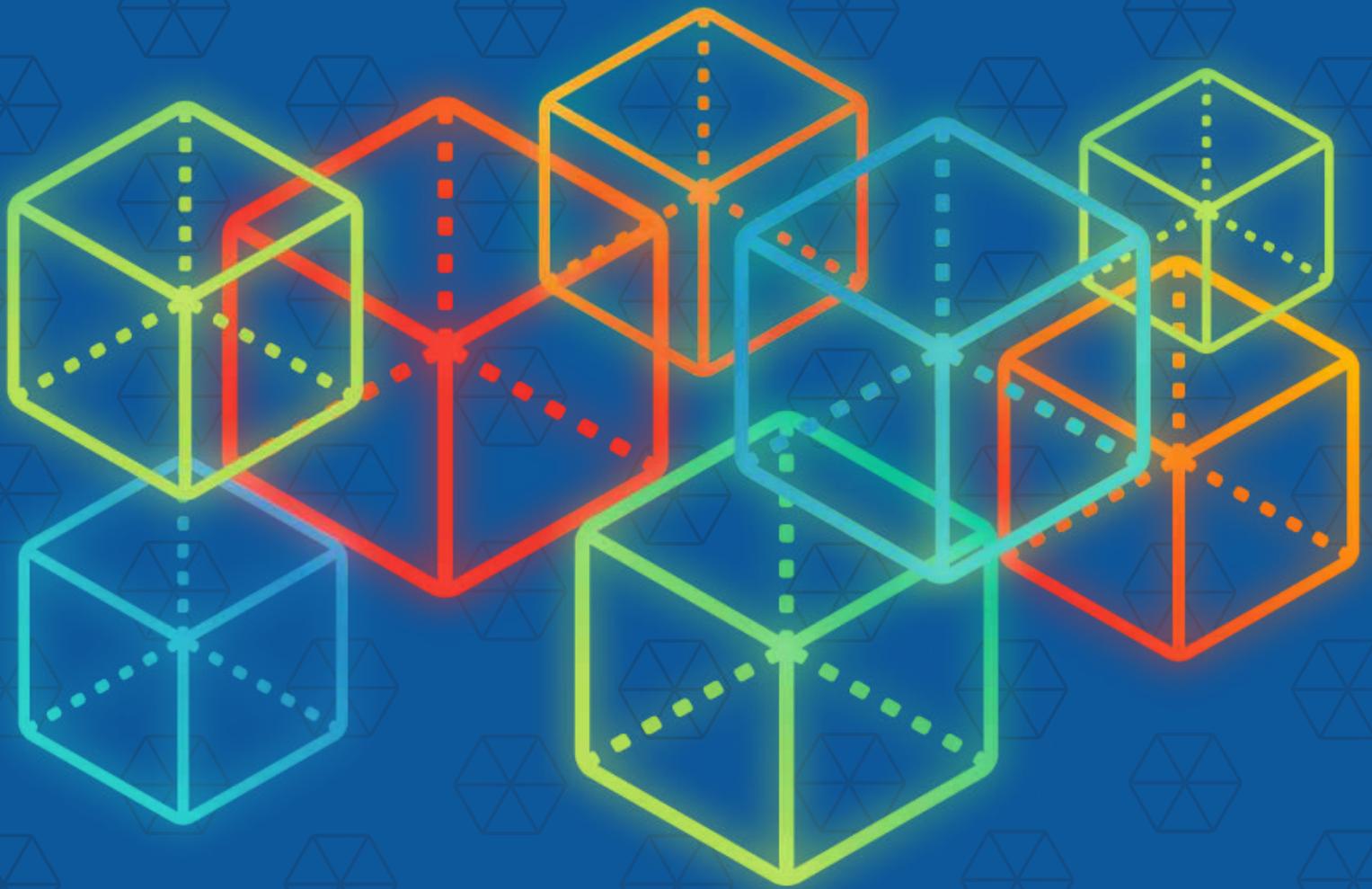


A SCAN OF

COMMUNITY FOUNDATIONS ACCEPTING

CRYPTOCURRENCY GIFTS



CF INSIGHTS

a service of Foundation Center

Introduction

With the proliferation of Bitcoin and other forms of digital (or “crypto”) currencies around the world this decade, a growing number of charitable donations are being given via these transaction vehicles. The Chronicle of Philanthropy reported in its 12/4/18 issue that [there are an estimated 500 to 1,000 nonprofits in the United States](#) poised to accept cryptocurrency, having established accounts with transaction platforms like Bitpay. Prominent non-profit organizations like [the Red Cross began accepting Bitcoin in 2014](#), while [Fidelity Charitable received \\$69 million in cryptocurrency donations in 2017](#), a nearly tenfold increase from the year before. In March 2018, DonorsChoose.org received what many believe is the largest cryptocurrency gift to date: [\\$29 million worth](#) of Ripple (XRP), directly from the company that created the currency.

Some philanthropists believe that blockchain, and the digital currencies derived from it, could fundamentally and permanently change the way philanthropy is done. Some of the best-developed arguments for this perspective may be found on the website of Charities Aid Foundation (CAF), which has been [studying](#)

[the issue in depth](#). In fact, there are examples of philanthropic organizations that depend entirely on these emerging technologies, while promoting their practical uses for charitable ends. [BitGive Foundation](#), established in 2013, is touted as the first entirely Bitcoin and blockchain-driven 501(c)3 in the United States, while [GiveCrypto](#) is a charitable effort launched by the cryptocurrency platform Coinbase.

To what extent have community foundations entered this space as well? Which cryptocurrencies are the most popular in the field, and which are the most popular digital payment platforms? And how do processes surrounding these gifts differ across the field? While blockchain may ultimately bring about radical changes in philanthropic practice, the challenge of the moment for most charities is whether to accept and how to process transactions involving digital currencies like Bitcoin. To begin to learn whether U.S. community foundations have begun to accept digital currency and how they are handling such transactions, [CF Insights](#), a service of Foundation Center, recently conducted a survey to explore these questions.

Important Terms



BITCOIN (BTC) is the original form of cryptocurrency. Bitcoin is a decentralized cryptocurrency that relies on the blockchain to distribute its ledger and record proof of work. Other types of cryptocurrency include Ethereum (ETH) and Ripple (XRP).



BLOCKCHAIN is a digital ledger used to record transactions across a decentralized network of computers. It is comprised of individual blocks (which hold a historical database of all transactions) that are chained to each other through a cryptographic signature. Each time a block's capacity is reached, a new block is added to the chain.



CRYPTOCURRENCY is a form of money that exists as encrypted, digital information. Operating independently of any banks, a cryptocurrency uses sophisticated mathematics to regulate the creation and transfer of funds between entities.

About the Respondents



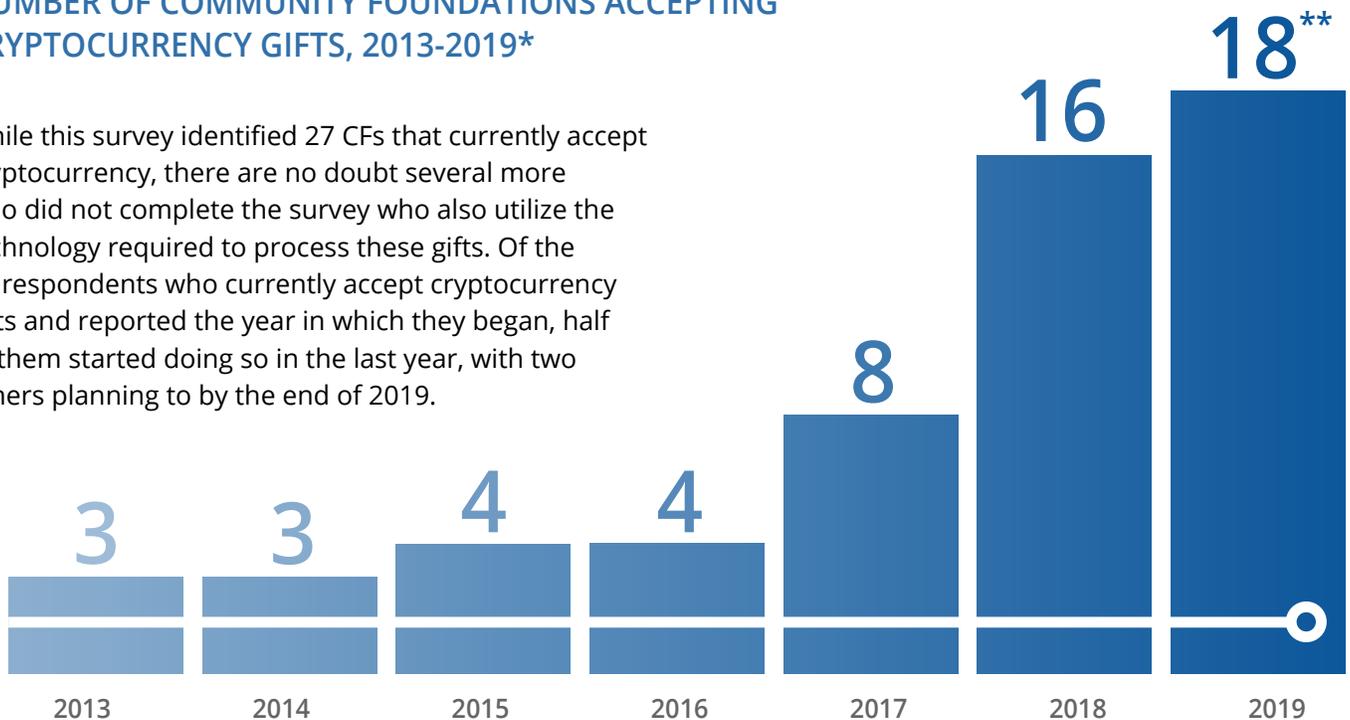
27
(22%) ACCEPT
CRYPTOCURRENCY
GIFTS

Accepting cryptocurrency gifts is a fairly recent phenomenon that is on the rise as the technology itself continues to proliferate. The largest jump in the number of community foundations accepting these types of gifts took place between 2017 and 2018.

Accepting Cryptocurrency Gifts

NUMBER OF COMMUNITY FOUNDATIONS ACCEPTING CRYPTOCURRENCY GIFTS, 2013-2019*

While this survey identified 27 CFs that currently accept cryptocurrency, there are no doubt several more who did not complete the survey who also utilize the technology required to process these gifts. Of the 16 respondents who currently accept cryptocurrency gifts and reported the year in which they began, half of them started doing so in the last year, with two others planning to by the end of 2019.



*Among respondents who reported the year in which they began accepting cryptocurrency gifts.

**Two respondents said that they plan to begin accepting cryptocurrency gifts by the end of 2019.

Types of Accepted Cryptocurrency



Plans to Accept Cryptocurrency



OF THE 93 COMMUNITY FOUNDATIONS THAT DO NOT CURRENTLY ACCEPT CRYPTOCURRENCY...

48

**(52%) SAID THAT
THEY PLAN TO ACCEPT
CRYPTOCURRENCY GIFTS
IN THE FUTURE.**

Two of these respondents plan to accept cryptocurrency by the end of 2019. The rest do not have a specific timetable in place.

Providing Flexibility for Donors in Minnesota

In 2018, the Saint Paul and Minnesota Foundations were approached by a donor who was interested in donating Bitcoin¹, which led the foundations to put processes in place to begin accepting cryptocurrency. Because little had been published on the topic, staff at the foundations began to educate themselves on the underlying technology, while evaluating any associated risks, by speaking with peers and an expert at the Minnesota Federal Reserve. To ensure the security of both parties, the foundations performed a successful test transaction².

The foundations treat donated cryptocurrency like other donated property by selling it immediately, and do not try to time the sale to maximize their return. At the time of the gift, the foundations do provide a high and low value to the donor who may be looking to achieve maximum valuation. Developing the ability to accept cryptocurrency gave the Saint Paul and Minnesota Foundations, looking to maximize their own flexibility as a philanthropic vehicle, another tool to offer their donors.

1. "Funding Philanthropy with Cryptocurrency." Twin Cities Business. October 31, 2018. tcbmag.com/opinion/performing-philanthropy/columns/funding-philanthropy-with-cryptocurrency

2. "Broadening philanthropic expression through cryptocurrency." Saint Paul and Minnesota Foundations. October 9, 2018. spmcf.org/broadening-philanthropic-expression-through-cryptocurrency

Number of Gifts Received by Respondents



Holding vs. Selling Gifted Cryptocurrency



OF THE 19 COMMUNITY FOUNDATIONS THAT SHARED
WHETHER THEY HOLD OR SELL...

15

**(79%) SELL THEIR
RECEIVED CRYPTOCURRENCY
RIGHT AWAY**

Most respondents who have processed a cryptocurrency gift sell it immediately, and most who have yet to process a gift also plan to do so. This is not unlike the general practice of immediately liquidating gifted public securities.

Determining the Value of a Cryptocurrency Gift

PUBLIC EXCHANGE: **7 CF_s**



OTHER: **5 CF_s**



Besides relying on a public exchange, respondents cited relying on Yahoo Finance, while Bitpay users receive a guaranteed USD value based on the best bid across several exchanges.

Range of Total Value of Cryptocurrency Gifts Received

TOTAL GIFT AMOUNTS RECEIVED BY
COMMUNITY FOUNDATION RESPONDENTS
ACROSS 27 CFs VARIED WIDELY



FROM **\$50** UP TO
\$81,000,000

Four respondents said they've received \$5,000 or less, while three respondents have received \$2 million or more.

Cryptocurrency Gift Processes

12 RESPONDENTS DO NOT REQUIRE A SIGNED DISCLAIMER

4 REQUIRE A SIGNED DISCLAIMER IN SOME CASES

3 ALWAYS REQUIRE A SIGNED DISCLAIMER

Only a few respondents require donors to sign a disclaimer acknowledging the potential volatility and risks associated with these types of transactions and platforms. Among those who do, it is sometimes only for first-time crypto donors, or donors who are giving digital currencies other than the more widely used Bitcoin.

Swiftly Responding to a Donor's Needs in Reno

In December 2017, the Community Foundation of Western Nevada received a query from a fundholder asking if it would be possible to make a year-end donation using Bitcoin. The timing of this query created a sense of urgency for the community foundation, looking to process this gift within days. Staff became familiar with the steps necessary to process the gift, and following the donation, a process for handling cryptocurrency gifts was established and added to the community foundation's gift acceptance policy.¹

To address internal concerns, the community foundation asked the donor to sign a waiver accepting any and all associated risks with the transaction. The community foundation does not see cryptocurrency as a realistic option to add to their own investment portfolio, citing a concern with the security risks and volatility such investments would bring. However, the community foundation sees cryptocurrency as another method for turning an individual's investment into a charitable donation, demonstrative of a flexibility that other philanthropic institutions might not have. In the Community Foundation of Western Nevada's case, the ability to act fairly quickly to process this novel type of gift while the market for Bitcoin was peaking meant that they were able to receive the donation before values decreased dramatically.

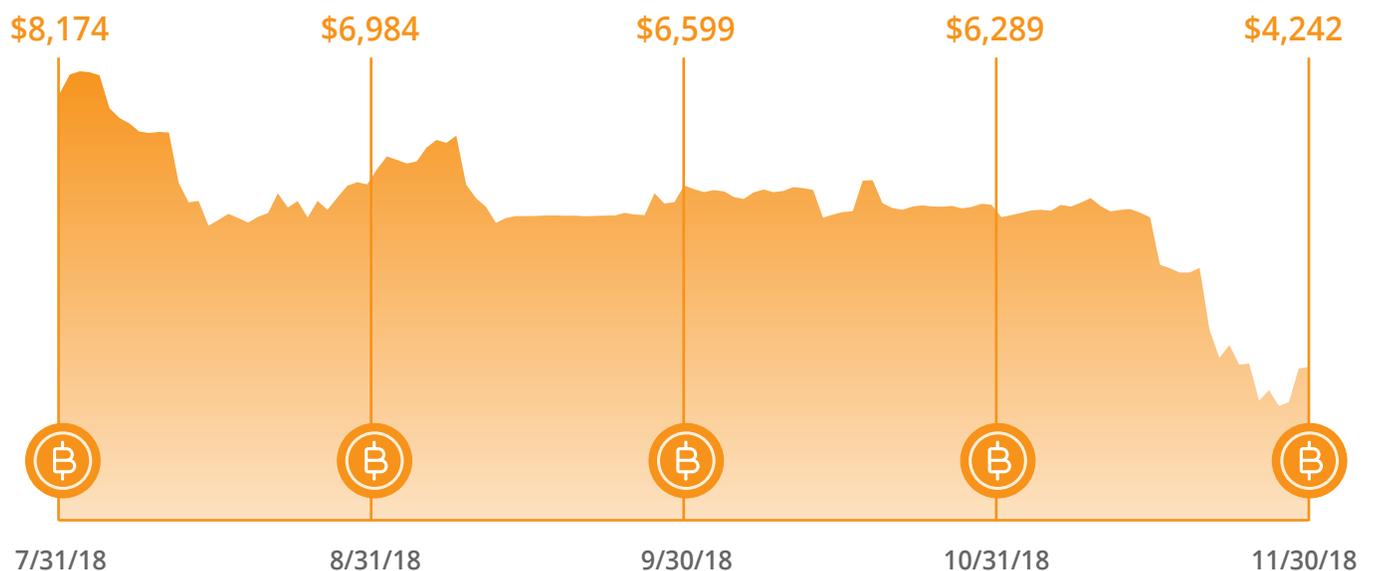
1. "Bitcoin Given to Community Foundation. Community Foundation of Western Nevada." January 25, 2018. <https://nevadafund.org/bitcoin-given-to-community-foundation/>

Cryptocurrency Exchange Platforms

	BITPAY	COINBASE PRO (FORMERLY GDAX)	COINBASE	KRAKEN	GENESIS TRADING	BITSTAMP
# OF RESPONDENTS	7	1	1	1	1	1
TRANSACTION LIMIT*	Tiered based on level of organization verification achieved.	Withdrawals are initially limited to \$10 K/day; limit increases can be requested	\$25 K/day	Tiered based on level of organization verification achieved. Base limits: \$25 K/day, \$50 K/month, \$130 K/year	\$75 K transaction minimum	
TRANSACTION FEES*	1%	Tiered; ranges from 0.10%-0.30%	1.49% for transfers to a U.S. bank account or Coinbase Wallet	Tiered; ranges from 0.10%-0.26%	Genesis quotes a spread to the XBK index.	Tiered; ranges from 0.10%-0.25%
IMMEDIATELY LIQUIDATES?	Yes	No	Yes	No		
TRANSFERS TO BANK UPON LIQUIDATION?	Yes	No	Yes	No		

Limits and fees are current per each platform's website at the time of publication.

Value of Bitcoin Since Launch of CF Insights Survey



According to Coindesk.com.

Gift Acknowledgments, Special Handling, and Risk

Methods of acknowledging the value of a cryptocurrency gift varied greatly among survey respondents. Some issue a gift letter similar to those associated with a property transaction, others include current high and low daily values similar to stocks. Several respondents said that they don't acknowledge the value at all, choosing instead to simply acknowledge the type of currency received and the number of units gifted, while some also ensure that they acknowledge the volatility of the currency's value.

Many respondents noted that, at present, processes for accepting donations of digital currency are somewhat unwieldy. Establishing an organizational account on one of the popular cryptocurrency trading platforms was said to be a burdensome process for some respondents, one of whom cited requiring several personal documents such as copies of board members' passports. Transfers between digital wallets can sometimes be slow, and foundation staff find themselves spending a significant amount of time manually seeing the process of receiving the gift all the way through. Additionally, the risk of being hacked was cited by multiple respondents, some of whom expressed concern with being identified in this brief for fear of being targeted.

Still, as cryptocurrencies continue to proliferate, a market for services is emerging to help nonprofits accept these gifts without ever interacting with the technology itself. Fundraising software company [Network for Good is planning to expand their pilot program BlockGive](#), which allows donors to make Bitcoin gifts to the charity of their choice. Those contributions go into Network for Good's donor-advised fund, are exchanged through Bitpay, then sent in U.S. dollars to the recipient, keeping that recipient out of a process in which they may not have the capacity to participate themselves.

In short, what the survey tells us is that blockchain technology and digital currency have only just begun to infiltrate the practice of philanthropy. At the moment, it isn't clear how widely it will be accepted by charities as a form of donation, or how widespread it may be adopted as a vehicle for donor contributions. What is likely is that this mechanism for giving will undergo considerable enhancement and improvement before it becomes a standard form of donating to charities. As one survey respondent put it, "Infrastructure to receive, hold, transact and report on crypto gifts is very nascent and rapidly evolving. Vendor solutions and foundation procedures will probably look different over time."



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