



# Welcome

## Not-For-Profit Webinar

CALIBRE CPA GROUP  
APRIL 27, 2022



# The New Donation: Cryptocurrency

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# FUD or FOMO?



Team FUD (Fear Uncertainty and Doubt)  
or  
Team FOMO (Fear of Missing Out)

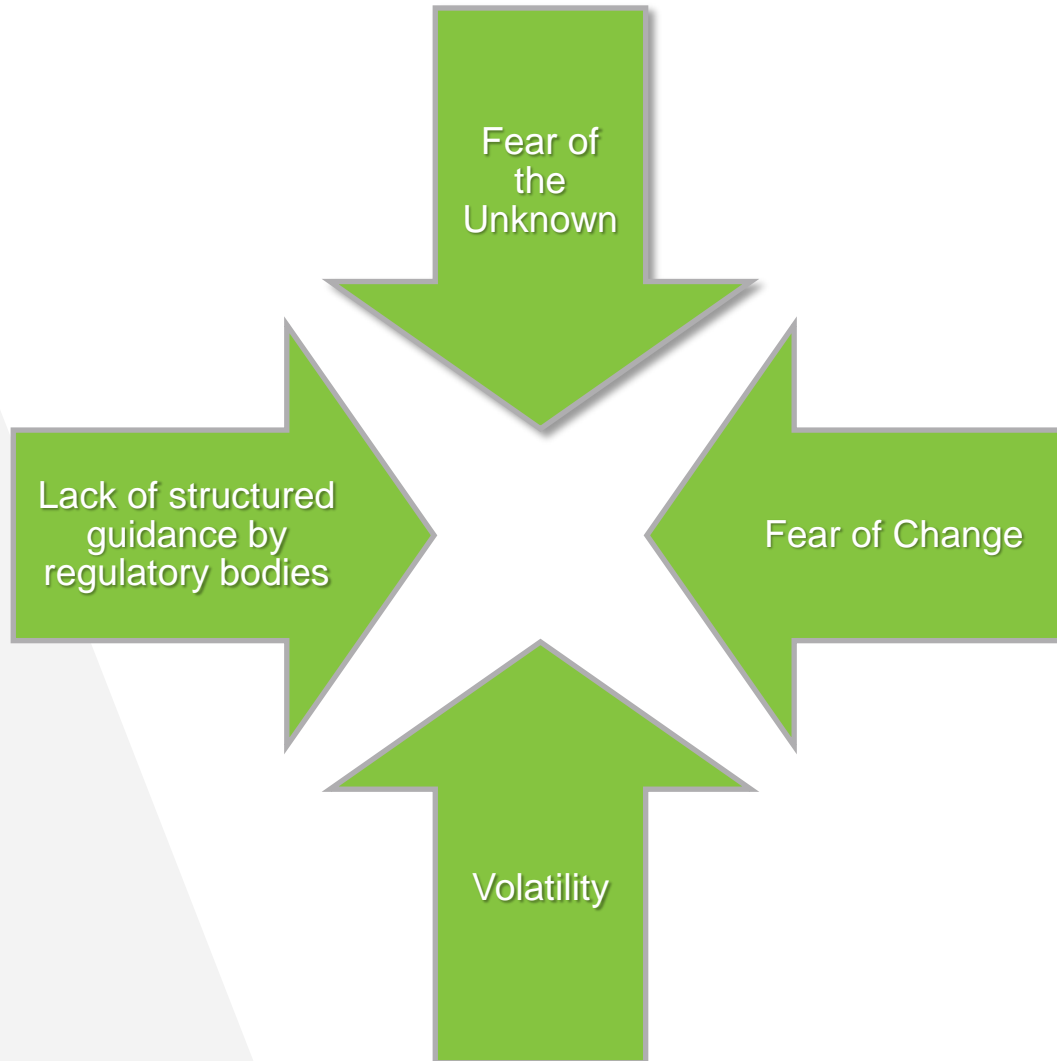


# Some Facts...



- ▶ CoinMarketCap estimates:
  - ▶ \$1.8 trillion Total Market Capitalization for all cryptocurrency
  - ▶ 19,100 different cryptocurrencies
  - ▶ Bitcoin ~ 41% & Ethereum ~ 19% of total market cap
  - ▶ NFT market cap exceeds \$10M
- ▶ Pew Research 2021 - 16% of Americans have invested in, traded or used crypto at some point
- ▶ Crypto donations to Fidelity Charity were \$13M in 2019, \$28m in 2020 and \$158M in 2021

# What Are We Afraid Of?



# Fear of Change



- ▶ Valuation/Accounting
- ▶ Gift Acceptance Policy
- ▶ Donor Profile
- ▶ Senior Management/Board
- ▶ Accounting/Development
- ▶ Marketing/Communications/IT



# 7

## FDR - 1933



Only Thing We Have to Fear is Fear Itself

- ▶ Electric lights
- ▶ Y2K changes
- ▶ Offline registration systems, online
- ▶ Wealth profiling
- ▶ Automation
- ▶ AI – self driving cars

# Motivation



- ▶ The Giving Experience
- ▶ Knowledge
- ▶ Incentive
- ▶ Donors **want** to give
- ▶ Tax treatment incentivizes donors to give crypto that has appreciated
- ▶ Opportunity to make a greater impact





# Fear of the Unknown



- ▶ What is cryptocurrency?
- ▶ Are certain digital assets safer than others?
- ▶ What is blockchain and how does blockchain relate to digital currency?
- ▶ If we make the leap and decide to start accepting cryptocurrency how do, we go about it? (I don't want to dive into the dark web)



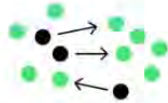
# Fiat vs Crypto



## The Difference between



**Bitcoin**



... is a currency created by decentralised, distributed computing



... is governed by majority rule (network consensus)



... transactions only involve two parties - no intermediary required



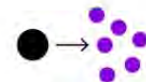
... depending on network speed, transactions take minutes



... no chargeback is possible after a transaction has been made



**Fiat Money**



... is a currency issued by a government



... is governed by a central bank



... an intermediary such as a bank or payment provider is needed for a transaction



... local and international transactions may take days



... a chargeback is possible after a transaction has been made

[The difference between a cryptocurrency and fiat money — Bitpanda Academy](#)

USD: Backed by full faith and credit...

[U.S. National Debt Clock: Real Time \(usdebtclock.org\)](https://usdebtclock.org)

# Blockchain vs...



Blockchain is incredibly intricate. It is a system that collects clusters of information by blocks. These blocks hold sets of information, and each block is added to a chain that is updated whenever a transaction is completed. In cryptocurrency, blockchain technology operates as a ledger that is viewable by anyone in the network. Blockchain is both anonymous and transparent in that each user and his assets are viewable, but they cannot be identified. Blockchain is decentralized, which means that it is run by the community, and no single entity can ever manipulate the system.

[Will Blockchain Become Mainstream? - Fintech News](#)

# Already Mainstream



[Blockchain 50 2021  
\(forbes.com\)](https://forbes.com)

## IBM Corporation

Armonk **JPMorgan Chase**

Amonk **New York Microsoft**

Pass a Has si **Redmond National Basketball Association**

results Liink **New York State Farm**

wheth event One of **Bloomington Walmart**

**Blockchain** makes mem **Bentonville, Arkansas**

**Blockchain** can str of "m For insur policy and Its Food Traceability Initiative, which helps Walmart detect contamination and other food safety issues, now tracks nearly 500 items like fresh leafy greens, coffee, seafood and meat. Last year, it assisted the FDA with six investigations into food safety and was able to provide detailed information on the original source of potential contamination

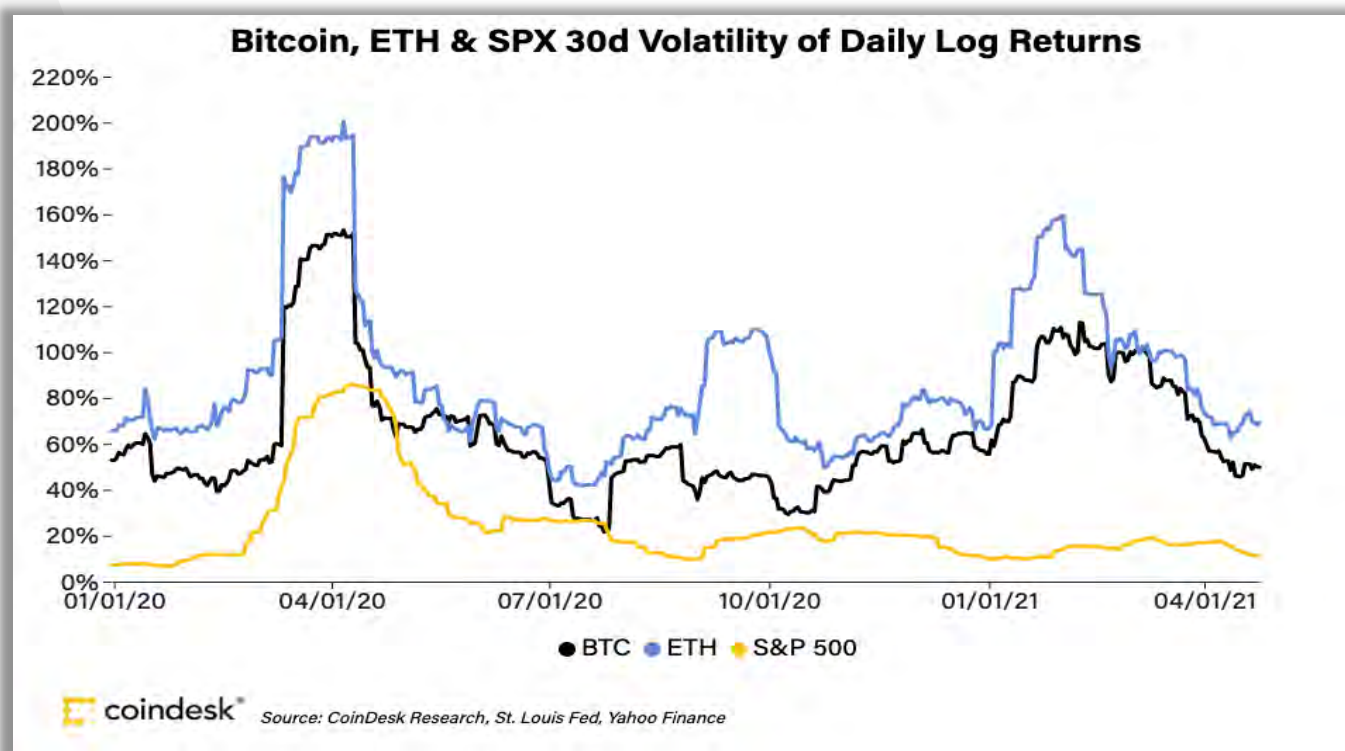
**Blockchain** have State Farm checks a c year, the 1 within an hour. This year, Walmart will conduct a pilot with U.S. Customs and Border Protection to track imported foods.

**Blockchain platform:** Hyperledger Fabric

# Volatility



Because there is nothing with intrinsic value backing up crypto currency, its value is based entirely on speculation and very susceptible to sentiment. In other words, bad news can quickly cause panic.



# Lack of Structured Guidance



# Lack of Clear Authoritative Guidance



- ▶ It is lawful to accept cryptocurrency donations but largely outside the control of government or financial institutions
- ▶ FASB has not yet formally addressed cryptocurrency
- ▶ ERISA guidelines are unclear and the DOL has not yet released guidance
- ▶ Cryptocurrency is generally not insurable
- ▶ Laws regulating cryptocurrency lack coordination and consistency among jurisdictions; gifts that originate from criminal activity may be subject to claw back

# IRS Published 45FAQs Related to Virtual Currency



- ▶ 45 FAQs related to virtual currency
- ▶ Cryptocurrency is treated as a gift of property
- ▶ Reported on 990 as a non-cash gift
- ▶ Reported on 990 Schedule M
- ▶ Subject to IRS Form 8283 and Donee must also file form 8282 if cryptocurrency is sold, exchanged or otherwise disposed of within 3 years
- ▶ Form 8283 is required for every donation >\$500 and must be signed by an officer



# AICPA Accounting/Auditing of Digital Assets



“The objective of this practice aid is to develop nonauthoritative guidance on how to account for and audit digital assets... This publication is not approved, disapproved, or otherwise acted on by the Auditing Standards Board, the membership, or the governing body of the AICPA, and are not official pronouncements of the AICPA”

# Cryptocurrency Characteristics



- ▶ The biggest challenge we face in tackling the lack of accounting guidance in this space is Variety and Speed of emerging technology.
- ▶ Cryptocurrency is currently the largest population of digital asset
- ▶ Cryptocurrency has no inherent value and operates independently of a central bank
- ▶ Cryptocurrency is intended as a medium of exchange and is transacted on blockchain
- ▶ Blockchain is a decentralized paperless real time ledger

# AICPA Practice Aid



## Cryptocurrency characteristics:

- ▶ NOT issued by a jurisdictional authority
- ▶ NOT identified as legal tender even though they may be converted readily to cash
- ▶ NOT a contract between the holder and another third party
- ▶ NOT considered a security under the Securities Act of 1933 or the Securities Exchange Act of 1934
- ▶ NOT a tangible physical asset



# By Process of Elimination ...



## FASB ASC 350-30 General Intangibles Other than Goodwill

- Initial carrying value recorded at Cost
- Tested for impairment at least annually; more frequently if the asset may be impaired
- If fair value is less than carrying value a permanent impairment loss is recognized
- You may NEVER write it back up if the FMV recovers
- Accounting mechanics are counterintuitive to the expected performance of the asset

Cryptocurrency is classified as an intangible asset with an indefinite life subject to impairment guidance

# Non-Crypto Digital Assets



- ▶ Non-Fungible Tokens (NFTs)
- ▶ Artworks
- ▶ Collectibles
- ▶ Virtual reality and gaming items
- ▶ Domain names
- ▶ Ownership records

# Volatile or Just Crazy?



**Forbes**

FINTECH

## Why Jack Dorsey's First-Tweet NFT Plummeted 99% In Value In A Year

America Online and Time Warner (2001): US\$65 billion  
Daimler-Benz and Chrysler (1998): US\$36 billion  
Google and Motorola (2012): US\$12.5 billion

"Iranian crypto entrepreneur Sina Estavi got swept up in the frenzy, buying Dorsey's NFT for \$2.9 million. He tells *Forbes* he paid such a hefty sum due to the NFT's uniqueness and association with such a valuable company as Twitter."

"On April 5, Estavi put the NFT up for auction for 14,969 ether, or about \$50 million. Embarrassingly, no one bid more than \$280."

[Why Jack Dorsey's First-Tweet NFT Plummeted 99% In Value In A Year \(forbes.com\)](https://www.forbes.com/2022/04/05/jack-dorsey-nft-value-99-percent-decline/)

# KYC (Know Your Customer) Regulations



- ▶ KYC regulations apply for users of a crypto network
- ▶ Especially true for those accepting large payments from foreign customers
- ▶ Must be aware of their obligation to ensure they are not unintentionally enabling money launderers
- ▶ Must be in a position to determine—or have a trusted third party
- ▶ Determine—the sourcing of any crypto it accepts
- ▶ Request SOC1/SOC2

# Gift Acceptance Policy



- ▶ Certain gifts can harm the mission, drain finances and/or damage reputation
- ▶ Best practice to adopt a gift acceptance policy
- ▶ Policies often prohibit:
  - ▶ Gift's that potentially put Federal Funding at risk
  - ▶ Gifts From Donors that Have Missions Contrary to the Nonprofit's
  - ▶ Gifts directed towards highly narrow and specific missions and activities that may be difficult or expensive to effectuate, or that would change the nonprofit's mission or primary focus



# Crypto Updates to the Gift Acceptance Policy




- ▶ State clearly that you now accept crypto and briefly define what currencies you accept and how you have chosen to accept them
- ▶ Establish donor information requirements
- ▶ Clearly state that the IRS defines cryptocurrency as property, subject to rules for noncash gifts
- ▶ Summarize your review process
- ▶ Summarize liquidation process
- ▶ Encourage donor to seek independent tax advice





**CHARITY NAVIGATOR**  
Your Guide To Intelligent Giving

For Charity Representatives

Sign in or Register |  Giving Basket

[Top Ten Lists](#)

[Hot Topics](#)

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Name Only

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| [4-Star Charities](#)

## Donate with Cryptocurrency

Print

SHARE



In 2002, Charity Navigator launched with a mission to guide intelligent giving. Today we are the largest independent charity evaluator, with ratings for more than 9,000 of America's largest charities and detailed information on nearly two million more. By elevating causes in need, empowering donors, and engaging with the sector, we make impactful philanthropy easier and accessible to everyone.

We are a 501(c)(3) public charity that is powered by donors. You can support Charity Navigator with a donation of Bitcoin or Bitcash.

Donations are processed by BitPay and, per our gift acceptance policy, cryptocurrency donations are immediately sold and transferred to Charity Navigator in USD. For the avoidance of risk, we do not maintain a reserve of cryptocurrency. **Therefore, all cryptocurrency donations to Charity Navigator are final.** To receive a receipt for your donation, please provide your email address when making the transaction.

Email:

Amount:

USD



Donate with **bitpay**



# Ready, Set, Go... And???



## 3<sup>rd</sup> Party Intermediaries

- ▶ Quick and Easy – lower risk.
- ▶ Build it and they will not come. How to fill the stadium?

## 3 R's

- ▶ Relationship
- ▶ Relevancy
- ▶ Repetition

# 3 Ways to Accept Cryptocurrency



Manage In House	3 <sup>rd</sup> Party Payment Processor	Donor Advised Fund
Crypto Exchange account; Coinbase, Kraken, Gemini, or Bitstamp	Giving Block, EnGiven	Fidelity Charitable, Schwab Charitable Impact, Cocatalyst Impact
KYC rules apply	3 <sup>rd</sup> party provides KYC	DAF assumes KYC
Responsible for executing transactions	Automatic conversion to cash	Donations reach the charity as cash
	Processor typically handles donation receipts and IRS Forms 8282 & 8283	No need for 8283 or 8282

# Finance vs. Development – Oil & Water?



Important information to be shared between  
Finance and Development:

- ▶ How are pledges handled?
- ▶ How are donor restrictions handled?
- ▶ How are matching gifts handled?

# Resources



- ▶ IRS FAQ on Virtual Currency Transactions:  
<https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions>
- ▶ AICPA- Accounting for and auditing of Digital Assets Practice Aid <https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions>
- ▶ Freewill QuickStart Guide to Raising Crypto Donations  
<https://lp.freewill.com/cryptocurrency-guide-for-nonprofits-templates>



# Questions

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