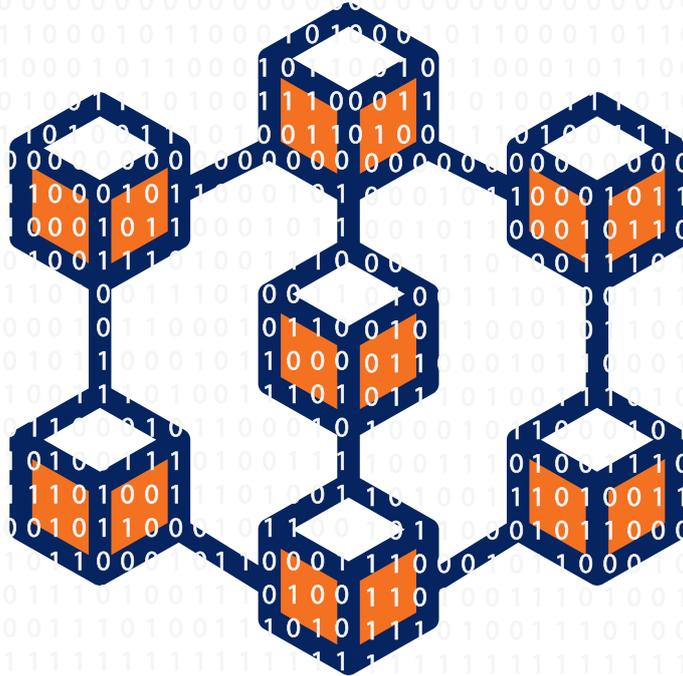


Blockchain and Cryptocurrency in the Fundraising Sector

FIA Sector Project supported by the Dūcere Global Business School



The logo for the Fundraising Institute Australia (FIA) consists of the letters 'FIA' in a blue serif font, centered within a white square that has a thin orange border on its right side.

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In 2020 FIA partnered with Dūcere Global Business School to undertake research into the risks of early adoption of blockchain and cryptocurrency in fundraising.

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Karen Mutch – Fundraising Institute
Australia

To access the full report, go to the FIA Member Portal and find "Final Report: Blockchain & Cryptocurrency in the Fundraising Sector" within the 'Resources' button.

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D Ū C E R E
GLOBAL BUSINESS SCHOOL



New technologies can be disruptive to traditional means of giving, on the part of donors, and managing data and donor care, for fundraisers. Cryptocurrencies and blockchain technology are in the very early stages of adoption by donors and subsequently there is quite a bit of mystery, misinformation, curiosity and excitement surrounding them.

Partnering with the Dūcere Global Business School to investigate the current state and future impact of these new digital currency systems, it is timely for Fundraising Institute Australia (FIA) to consider these systems and provide members with insights and objectivity not found elsewhere.

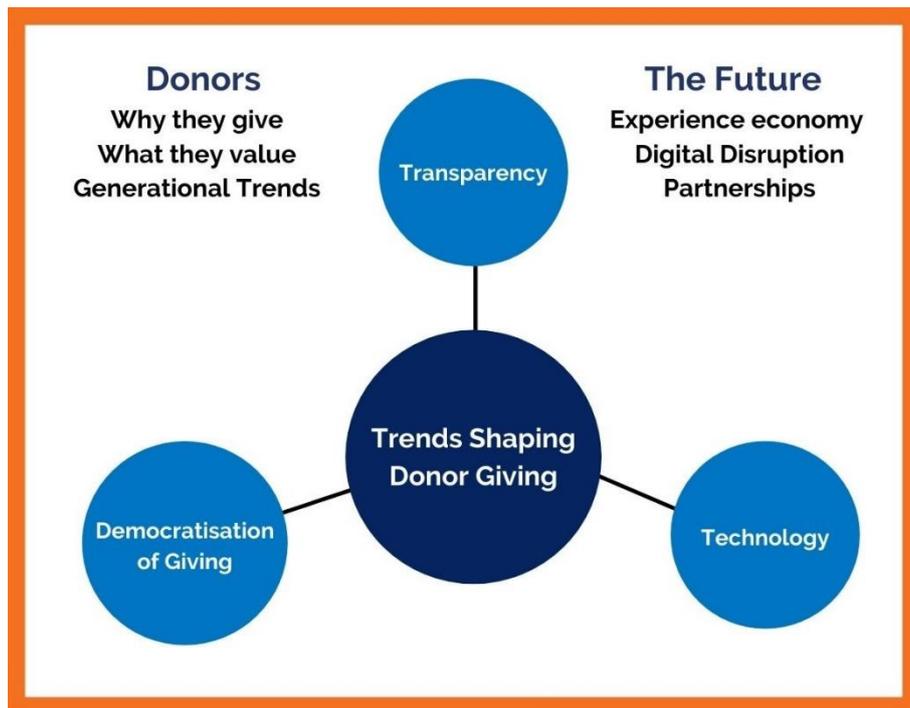
The full report is available to members through the member portal along with information about compliance, an evaluation tool and fact sheets, informed by the research undertaken by the Dūcere MBA Group. These are provided for FIA members to review before embarking on their blockchain and cryptocurrency journey.

FIA is pleased to provide resources including this white paper on Blockchain and Cryptocurrency in the Charitable Sector to assist in using these new technologies safely and effectively.

Katherine Raskob
Chief Executive Officer
Fundraising Institute Australia

Generational trends are the key drivers responsible for increasing digital expansion, introducing further opportunity for not-for-profits (NFPs), donors and recipients to introduce blockchain and cryptocurrency donations to stay relevant, expand and be open to accepting new opportunities in the future.

Generations who are more socially and politically conscious are the ones driving the campaign for a better world and using blockchain technology to make the global landscape more accessible and transparent.¹



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¹ Campbell, R. (2018, March 16). *3 ways millennials will use blockchain technology*. Lead Generation Company & Marketing Agency To Grow Your Sales | Leadervest. Retrieved from <https://www.leadervest.com/3-ways-millennials-will-use-blockchain-technology-ross-campbell-leadervest/>

Digital payments have been part and parcel of modern fundraising since the widespread adoption of the credit card as the primary form of technology used to accept donations, and a credit card-enabled society can allow us to function almost entirely without cash. Similarly, Virtual Reality (VR) market technology such as blockchain and cryptocurrency is enabling society to move towards a card-less existence, without costly overheads, a lack of transparency and centralisation currently associated with modern financial transactions. As with the arrival of any new technology, building trust and transparency in these systems is integral to expanding markets and revenue streams.

Cryptocurrency donations are becoming increasingly common. Donors who own cryptocurrencies are quickly shifting their support to non-profits who offer the ability to donate their cryptocurrency directly...with each uptick in the size of the user base, more non-profits are entertaining the notion of fundraising cryptocurrencies...cryptocurrency has quickly become one of the top innovative technologies that give non-profits a competitive advantage.²

NFPs that consider cryptocurrencies have the option of gaining donations from funding sources outside their usual avenues.

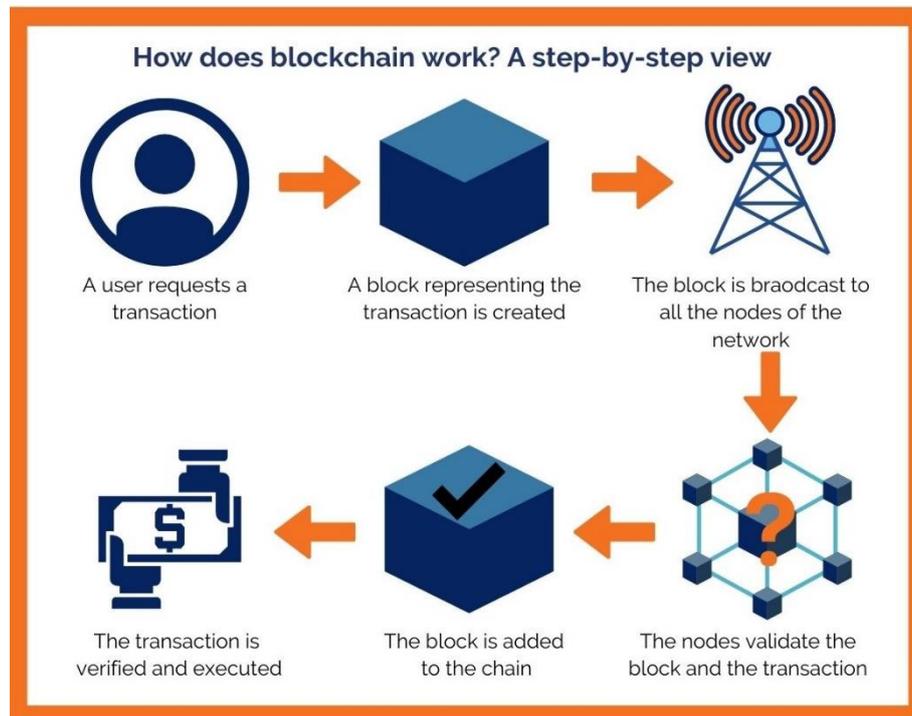
What is Blockchain?

Contrary to common misconception, blockchain is not Bitcoin. Rather, blockchain is the technology most commonly affiliated with cryptocurrencies.

Simply put, a blockchain is a public ledger storing transactions in an ever-growing, digital chain. Each block represents a transaction which is only added to a chain once it has been validated. These

² Wilson, A., Duffy, J. (2019, August 22). *5 reasons why nonprofits love cryptocurrency*. Nonprofit Tech for Good. Retrieved from

public ledgers transcend borders, geographical or otherwise. The appeal of using blockchain technology lies in its key characteristics: decentralisation, anonymity, persistence and auditability.



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Decentralisation essentially means it is available and accessible the world over and is not tied to one government or financial institution. Transactions take place without interference from any bank or financial government institution, significantly reducing overhead costs.

Anonymity, persistence and auditability can more easily be summarised as ‘immutable’. This means that a blockchain transaction cannot be tampered with or edited. Anybody can view and access all transactions making it extremely difficult for an entity to take control of the transaction network. A blockchain tamperproof timestamped provenance ledger (TTPL) provides a solution addressing integrity verification, privacy and scalability. In the simplest terms, successful

interoperability allows the user to trust that ‘I know what I see is what you see’. It has the potential to remove the middleman, increasing transparency, especially with the donor.

Blockchain technologies can assist NFPs by reducing the transaction fees associated with accepting payments and transferring the money to those in need. Blockchain is not a replacement for NFPs; rather the technology is an additional tool for NFPs to utilise to increase transparency, reach and cost efficiencies. Blockchain could also provide organisations with the opportunity to track donations received and how the donations have been used during a natural disaster.

What is Cryptocurrency?

Cryptocurrencies are a major subgroup of digital currencies and, unlike government-issued (fiat) currencies such as the Australian dollar, are decentralised and shielded from government interference and manipulation. Cryptocurrencies allow secure online payments through virtual tokens which are expressed as ledger entries (on the blockchain).

Cryptocurrencies can be bought, sold and traded on exchanges, much like a stock market. In order to buy, sell and trade cryptocurrencies on an exchange, a ‘wallet’ is required to store them. There are many different exchanges and wallets, each with a range of advantages and disadvantages.

The choice of the wallet is up to the user and does not affect the transaction with the cryptocurrency exchange. The main things to consider when choosing a wallet are what level of risk you want to be exposed to (a wallet that can be taken offline mitigates the risk of hacking), and what level of portability is required. Some wallets also contain a complete copy of the blockchain involved in the currency.

Cryptocurrency owners with “hot wallets”, wallets with assets stored online on exchanges, versus “cold wallets”, where cryptocurrency owners store their assets offline, are the most vulnerable to

*theft and insurance is an important factor when considering storage and exchanges for holding cryptocurrencies. Whilst cold wallets are safer many cryptocurrency owners use hot wallets because it allows quick access to their cryptocurrency.*³

If the donor and the recipient have digital wallets the donations can be transferred transparently with almost zero cost. Digital currency donations can be exchanged for fiat currency via the wallet, thereby ensuring beneficiaries receive donations via traditional methods.⁴

NFPs can also use a third party to accept cryptocurrency payments if the organisation chooses not to use and manage a wallet itself. The third party accepts the cryptocurrency donation and converts it to fiat currency before passing it onto the NFP.

Cryptocurrency Fast Facts

 <p>What is it? Decentralised networks utilising blockchain technology</p>	 <p>How does it work? Similar to the stock market with a specialised software program</p>
 <p>Global Reach 16.8% of Australians owned cryptocurrency in 2019 and that number is predicted to increase</p>	 <p>Why consider it? A future technology with endless advantages and opportunities</p>

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³ Blake, D. (2020, July 14). *Insuring cryptocurrency: Coincover fuels growth with latest investment round*. Development Bank of Wales. Retrieved from <https://developmentbank.wales/news-and-events/insuring-cryptocurrency-coincover-fuels-growth-latest-investment-round>

⁴ Kothari, A. (2017, November 22). *Giving where it's needed the most*. Medium. Retrieved from <https://medium.com/hackernoon/giving-where-its-needed-the-most-cacb46ca6162>.

The cryptocurrency market is extremely volatile, the average daily fluctuation can be as high as 10 times greater than the money market. This makes it a potentially high-risk investment depending on the cryptocurrency in question. Therefore, NFPs that consider implementing cryptocurrency and blockchain technologies should keep in mind the governance and transparency of these types of transactions, with consideration of the associated risks. The global cryptocurrency community is highly interactive, passionate, and has a strong presence in Australia, which itself has one of the largest and most active crypto communities in the world.⁵

One example of an Australian early adopter of cryptocurrency payments who took advantage of this growing payment method and the opportunities for expansion is Australia Post. As one of the most established and well-known businesses in Australia, AusPost started accepting Bitcoin at all locations from June 2020, marking a major milestone for the advancement of digital currency in the country, and around the world.

The Future for Fundraising in Australia

In Australia, only 1% of NFPs have adopted the use of blockchain technology and therefore accept donations in the form of cryptocurrency. This 1%, however, represents hundreds of millions of dollars, with research indicating that wider adoption will happen over the coming years. Further research indicates that most Gen Zs and Millennials will own some form of cryptocurrency as a form of investment within the next five years. At this moment NFPs have the opportunity to accept cryptocurrency donations which they can hold without having to immediately convert them to fiat currency.

⁵ Birk, W. (2019, July 31). *Are you ready for cryptocurrencies?* Fundraising & Philanthropy Australasia Magazine. Retrieved from <https://www.fpmagazine.com.au/are-you-ready-for-cryptocurrencies>.

An analysis of the current revenue trends of charities registered with the ACNC shows the following:

- Large charities (over \$1M annual revenue) receive nearly half their revenue in government grants and less than 13% of revenue from donations and gifts in Wills.
- Medium charities (\$250K to \$1M in annual revenue) receive less than 30% from government grants and a quarter of their income from donations and gifts in Wills.
- Small charities (\$250k annual revenue or less) receive less than 13% of revenue in government grants and over 36% of revenue from donations and gifts in Wills.

As a direct response to these trends, it's the small and medium organisations that have recorded the highest adoption of blockchain technologies in the country, accounting for 93% of the uptake. The increase in upcoming start-up businesses that consider the blockchain industry to be a viable revenue strategy went up from 3.4% to 8.1% in 2016 and 2018, respectively.⁶

The use of blockchain technology for NFPs has two significant advantages:

- The opportunity to increase donations by improving operational efficiency and transparency of the donation platform.
- The ability of NFPs to employ blockchain technology to streamline, automate and reduce costs in their operations.

Three major trends outlined in the research with regards to the future of fundraising in the sector were identified in the following ways:⁷

⁶ Bratanova, A., Devaraj, D., Horton, J., Naughtin, C., Kloester, B., Trinh, K., Weber, I., Dawson, D. (2019) Blockchain 2030: A Look at the Future of Blockchain in Australia. CSIRO Data61: Brisbane, Australia. Retrieved from <https://data61.csiro.au/en/Our-Research/Our-Work/Blockchain-2030>

⁷ McLaren, L. (2019). [Three top trends and the future of the charity brand](https://www.charitycomms.org.uk/three-top-trends-and-the-future-of-the-charity-brand). CharityComms. Retrieved from <https://www.charitycomms.org.uk/three-top-trends-and-the-future-of-the-charity-brand>

- **Explosion of the experience economy**

There is an increasing need for NFPs to facilitate the transparency between the donor with the beneficiary of the cause. The charity/NFP is the facilitator, but it is the donors who have the power to choose how they will be involved, how they create and share the stories and spread the word.

- **Disruptions in donations**

Millennials will soon have the highest disposable income, but it is Gen Z who are the most altruistic. The ‘shopping little and often’ mindset that disrupted the supermarket business is now disrupting giving, with targeted giving suggestions integrated into relevant apps used by Millennials and Gen Zs.

- **Partnerships with corporates**

Building relationships with corporates, who now have a stronger focus on social responsibility, opens the opportunity for NFPs of all sizes to be involved in campaigns of all sizes. It also affords small NFPs the opportunity to implement larger campaigns with partners.

In addition to the rise of technology, the experience of fundraising in a pandemic has identified new key aspects of fundraising for NFPs. These are some examples of successful charity/NFP blockchain initiatives from around the world:

- Blockchain behemoth **Ripple** has previously donated US\$50 million of its token ‘XRP’ to education in the USA.
- **Consensys**, a blockchain software company that runs the Blockchain for Social Impact Coalition, counts WWF and the Grameen Foundation as members.
- **Binance** has its own NFP division called Binance Charity whose mission is to “improve the lives of the ‘bottom billion’ through blockchain technology.”⁸ Binance Charity aims to

⁸ Birk, W. (2019, July 31). *Are you ready for cryptocurrencies?* Fundraising & Philanthropy Australasia Magazine. Retrieved from <https://www.fpmagazine.com.au/are-you-ready-for-cryptocurrencies>

revolutionise traditional giving, providing transparent donation processes made possible by its underlying blockchain technology. It's 'Crypto Against COVID' fundraising campaign is the first charitable campaign to achieve 100% donor transparency and safeguarded delivery (Rodriguez, 2020).

- Multinational investment firm **Fidelity** reported US\$69 million of cryptocurrency donations to their NFP branch, Fidelity Charitable in 2017. In 2016, its first year of accepting cryptocurrency donations, it received US\$7 million. Vice President of Marketing Amy Pirozzolo says: "It's one of the fastest-growing assets we are seeing wanting to be donated to charity. Many people that own Bitcoin and other forms of cryptocurrency do want to be philanthropic".⁹
- **The Giving Block's** Brave Ad Grants Program is where selected crypto-friendly NFPs receive a minimum of \$10,000 in free ads every month in the Brave browser. This would be equivalent to a Google Ads Grant, but for a more tech-savvy audience.¹⁰

Compliance with the Australian Government

Due to the dynamic nature of technologies such as blockchain and cryptocurrency, government frameworks and regulations are required to find a balance between supporting innovation, while protecting businesses and consumers.¹¹ But how does government play a role?

To date, the Federal Government has been content to let the cryptocurrency landscape evolve at a faster rate than its regulatory response, a decision made to facilitate innovation and growth in the

⁹ Birk, W. (2019, July 31). *Are you ready for cryptocurrencies?* Fundraising & Philanthropy Australasia Magazine. Retrieved from <https://www.fpmagazine.com.au/are-you-ready-for-cryptocurrencies>

¹⁰ Wilson, A., Duffy, J. (2019, August 22). *5 reasons why nonprofits love cryptocurrency*. Nonprofit Tech for Good. Retrieved from <https://www.nptechforgood.com/2019/08/22/5-reasons-why-your-nonprofit-should-embrace-cryptocurrency>

¹¹ Bratanova, A., Devaraj, D., Horton, J., Naughtin, C., Kloester, B., Trinh, K., Weber, I., Dawson, D. (2019) Blockchain 2030: A Look at the Future of Blockchain in Australia. CSIRO Data61: Brisbane, Australia. Retrieved from <https://data61.csiro.au/en/Our-Research/Our-Work/Blockchain-2030>

sector. The lack of regulation means that governance systems regarding cryptocurrency and blockchain are immature and not fit for purpose.¹²

State governments have also been early adopters of blockchain technologies. One example is the NSW Government which announced a partnership together with ChromaWay (a blockchain technology company) to move NSW Land titles onto blockchain platforms for the purpose of reducing potential fraud.¹³

In 2018, the NSW Parliament released a paper to educate and encourage the adoption of blockchain technology. It concluded that “both the public and private sectors have a growing interest in the blockchain and its potential for greater efficiency, security and transparency compared to existing ledger technology. Nevertheless, the adoption of blockchain technology may bring with it a range of issues, including the risk of privacy breaches, security concerns and legal uncertainties in relation to applications such as smart contracts”.¹⁴

Cryptocurrency and Tax

The Australian Tax Office (ATO) classifies cryptocurrency as an asset, not cash, for accounting purposes.¹⁵ Therefore, the tax advantages are clear for individuals who want to donate cryptocurrency to a registered charity/NFP.¹⁶ If the charity/NFP has deductible gift recipient (DGR) status, then any donation made does not raise a tax event for the individual.

¹² Reeves, P. (2020). *Blockchain and Cryptocurrency Regulation 2020: Australia*. Retrieved from <https://www.globallegalinsights.com/practice-areas/blockchain-laws-and-regulations/australia>

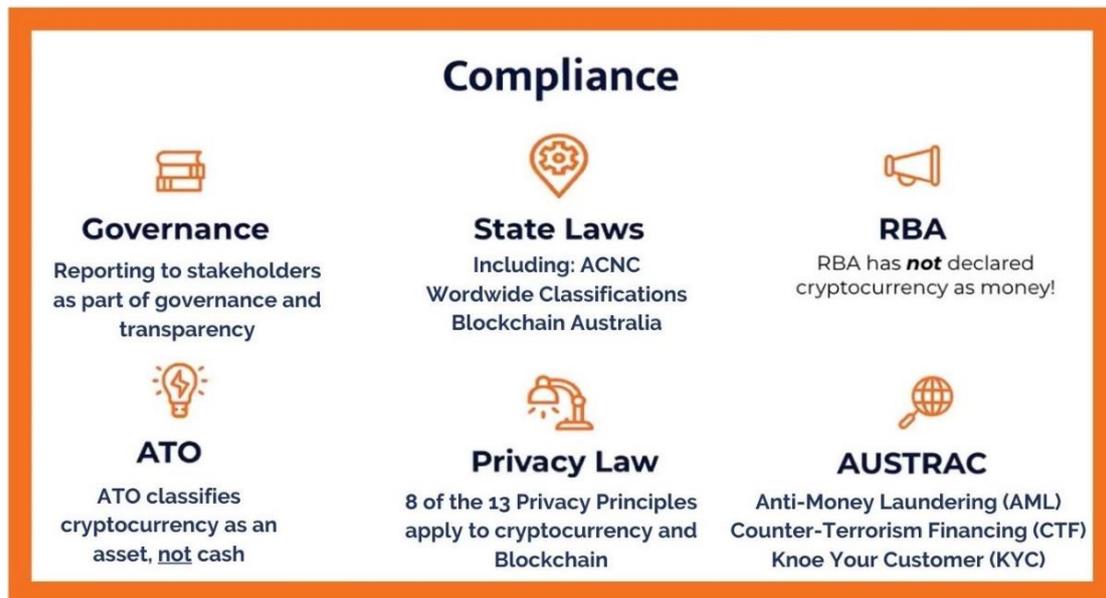
¹³ Johnston, M. (2018, October 16). *NSW keys blockchain for mandatory eConveyancing*. Retrieved from <https://www.itnews.com.au/news/nsw-keys-blockchain-for-mandatory-econveyancing-514016>

¹⁴ Angus, C. (2018, June). Blockchain technology. *NSW Parliamentary Research Service*. Retrieved from

<https://www.parliament.nsw.gov.au/researchpapers/Documents/Blockchain%20technology.pdf>

¹⁵ ATO. (2020b) Transacting with Cryptocurrency. Retrieved from <https://www.ato.gov.au/general/gen/tax-treatment-of-crypto-currencies-in-australia---specifically-bitcoin/?page=2>

¹⁶ Chandrasekera, S. Lodha. S. (2019) *Cryptocurrency taxes in Australia (2020-2021 Guide)*. Retrieved from <https://www.cointracker.io/blog/australia-cryptocurrency-tax-guide>



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Blockchain Australia – Code of Conduct

Blockchain Australia is an industry body that represents Australian businesses that use blockchain technology.¹⁷ They encourage responsible adaptation and use of blockchain technology across government and industry and drive innovation across all sectors of the economy. Blockchain Australia provides education and networking as well as best practice through a code of conduct. Blockchain Australia is a Certified Digital Currency Exchange so consumers can have confidence due to best practice and audit compliance.

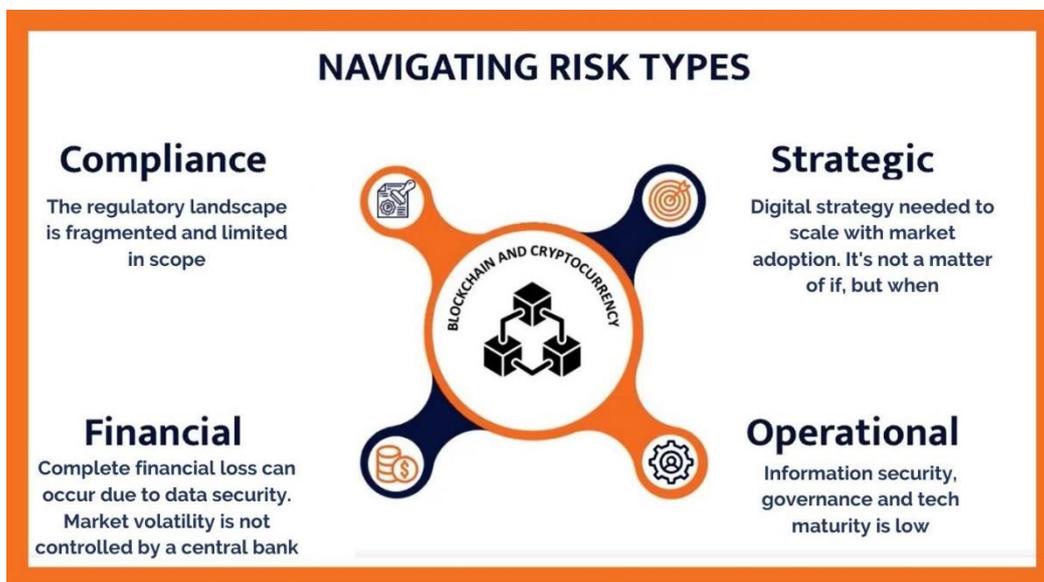
The code of conduct is a self-auditing scheme that includes the following points:

¹⁷ Blockchain Australia (2018). Australia’s Blockchain Future – Recommendations for the Taxation of Initial Coin Offerings. Retrieved from <https://blockchainaustralia.org/wp-content/uploads/2019/11/20191028-ICO-Tax-Report-Final.pdf>

- organisations must appoint an independent auditor
- the independent auditor then collects evidence relating to the desired expectations
- auditor then provides explanation and certification
- the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) committees then apply the certifications.

Consumers can expect:

- legal compliance
- AML/CTF protection and reporting
- transparent pricing
- dispute resolution
- data security.



Final Report: Blockchain & Cryptocurrency in the Fundraising Sector

NFPs need to consider reporting to stakeholders as part of their governance and transparency. The best practice for NFPs would be to ensure the appropriate specialists are engaged to ensure compliance with accounting standards and other reporting bodies.

The current untapped opportunity in Australia to translate blockchain and cryptocurrency technologies into valuable utilities could provide early adopters with an edge on competitors, connecting them further with their donors and the recipients.

The introduction of a blockchain system structure and smart contracts could include autonomous governance requirements, effective information sharing and cost reductions.

Nearly 80% of Australians donate to NFPs each year.¹⁸ Each donor gives for different reasons and motivations and in a variety of ways (cash, goods, time). Trends indicate however that there are distinct generational differences in motivations, methods, and expectations. Within the next five years the majority of Millennials and Gen Zs are predicted to own some form of cryptocurrency, adding to the 16.8% of Australians who already own some. With this knowledge, providing the option for donors to make cryptocurrency donations improves the relationship between the NFP and the donor, effectively futureproofing a organisation.¹⁹ NFPs that receive less government funding (small-medium-sized organisations) may also want to consider undertaking new fundraising options, such as accepting digital currency to expand revenue streams.

The other option to accepting digital currency donations – doing nothing – is unlikely to have any immediate impact on the NFP but may reduce its ability to attract donations over time.

¹⁸ Barker, S. (2020, June 16). *Interview: Blockchain's opportunities for NGOs, charities & not-for-profits*. CFotech Australia. Retrieved from <https://cfotech.com.au/story/interview-blockchain-s-opportunities-for-ngos-charities-not-for-profits>

¹⁹ Independent Reserve. (2019, November 12). Inaugural independent reserve cryptocurrency index (IRCI) 2019. [Blog Post]. *Independent Reserve*. Retrieved from <https://blog.independentreserve.com/news/inaugural-independent-reserve-cryptocurrency-index-irci-2019/>

There are always a multitude of risks and benefits associated with the adoption of blockchain and cryptocurrency technologies.

The significant benefits relating to the use of blockchain are its transparency and immutability of transactions, potential cost reduction due to the elimination of third-party financial institutions, and speed of transactions (Gupta, 2017).

The appeal of these technologies is apparent however it important to state that they must be applied as a 'fit-for-purpose' solution, requiring organisations to be explicit in their needs. NFPs must consider these options primarily in the context of 'what problem am I trying to solve?' while considering factors such as: the current donor profile, the size and make up of annual revenue, brand profile and alignment with the mission and values, among others.

It is also important to note that legislation around these new technologies trails behind as the industry develops so quickly. This poses risks in relation to compliance and privacy and anonymity, the key features of blockchain. The resources required to monitor relevant legislative requirements in relation to blockchain and cryptocurrencies may influence the interest in and uptake of these technologies.

An evaluation tool, cost benefit analysis and fact sheets are provided at the end of this paper for NFPs to utilise before commencing their blockchain and cryptocurrency journeys.

*To access the full report, visit the FIA website and search within the FIA member portal under 'Resources' for: "*Final Report: Blockchain & Cryptocurrency in the Fundraising Sector*"

Imagine a shared computer accessible to anyone, a single source of truth within which to store events, ownership and activities, and to execute workflow involving multiple parties without the use of separate systems and databases and with no reconciliation required. It will change the way digital services are provided across all industries globally.

What is it?

Blockchain is a record of transactions spread out across a network of computers, where they are validated as true. The blockchain uses four key concepts: cryptographic hash, immutable ledger, peer-to-peer network and consensus protocol.

What can I do with it?

Blockchain technology is being used in many areas, such as: finance, property, smart contracts, digital identification, data sharing, record keeping.

How is it currently used?

- Asset Management – trade processing and settlement.
- Insurance – claims processing.
- Payments – cross border payments.
- Smart Contracts – healthcare, music.

What could go wrong?

- Public and private key security.
- Third-party vendors with poor security, untested at full scale.
- Lack of standards and regulation.

Why use blockchain?

- Full history of activity, not just a snapshot in time.
- No central point of attack for hackers.
- No central control providing potential for cost reduction.

As the major generation of donors (Baby Boomers) continue to decrease, NFPs who do not engage younger generations through tech savvy communications and donation options will experience significant risk of rapidly reduced donations. The use of cryptocurrency by this group is only increasing.

What is it?

Cryptocurrencies are a subgroup of digital currencies, with decentralised networks and utilise blockchain technology that is spread across a network of computer to ensure anonymity.

What can I do with it?

You can buy, sell and trade on exchanges with cryptocurrency – similar to buying, selling or trading stocks on stock exchange or stock market.

How do I accept it?

User friendly and low-cost options include third-party management payment processor, merchant wallet account, and point-of-sale options that are increasing with popularity.

How safe is it to use?

Each time a new block is generated, it must be verified by every node in the network before it can be confirmed, making transaction histories very difficult to be forged. The transaction history is transparent as a public ledger.

What are tokens?

Tokens are made and distributed following an initial coin offering, which is the equivalent of an initial public offering. Tokens can be represented as value tokens (Bitcoin), utility tokens (designated for specific use) or security tokens (protect your account).

What are smart contracts?

This is a computer program that directly controls the transfer of currency and assets between parties under set conditions. Transactions are executed when agreement requirements are met.

NFP's that consider cryptocurrency donations need to ensure that appropriate records are being kept of all transactions to ensure compliant reporting to governing bodies. Consideration also needs to be given to the changing regulatory landscape as governing bodies start to legislate cryptocurrency and blockchain as it further evolves.

Governance

The cryptocurrency landscape is evolving faster than the legislative response. Australian Government has been content to see what innovation could be achieved without the constraints of regulation. Governance, transparency and risk need to be considered when investigating implementation of cryptocurrency or blockchain.

ATO

For reporting purposes the Australian Taxation Office recognises cryptocurrency as an asset rather than money. This means capital gains tax laws are relevant when dealing in cryptocurrency.

AUSTRAC

All digital currency exchanges in Australia have to be registered with AUSTRAC. Its primary focus is anti-money laundering and counter-terrorism financing.

ACNC/FIA

For best practice guidance and support on how to use these technologies for fundraising

Blockchain Australia

Blockchain Australia is a peak body supporting the blockchain industry. They have a code of conduct that blockchain organisations adhere to, ensuring best practice and audit compliance.

ASIC

The Australian Securities & Investments Commission, under the guidance of the RBA, state that digital currencies are not financial products. The ACCC delegated powers to ASIC to ensure there is no misleading information during initial coin offerings of cryptocurrency.

Privacy

The Privacy Act of 1988 has 13 legislated principles that all NFPs must adhere to. Due to the decentralised nature of blockchain there is nowhere users can seek redress if something goes wrong.

The cost-benefit analysis is one of the most comprehensive economic evaluation tools. It provides a framework for determining whether promotions or programs are worthwhile economic investment opportunities for organisations. Below is a list of the costs associated with utilising blockchain and cryptocurrency technology in a NFP and the associated benefits.

Costs

- Cryptocurrency exchange fees:
 - 0.10-0.25% taker fee
 - 0.15% auction fee (ie CoinJar, 2020)
 - 1% surcharge on transactions
- Agency blockchain app development can cost between \$150,000 - \$500,000 to create
- Insurance through cryptocurrency exchange needs to ensure that the:
 - value of insurance is in line with value of the cryptocurrency at the time of policy is taken out
- Use of third party management providers is a:
 - task to find a legitimate management fund, and the costs associated with the fund managing an organisation's cryptocurrency
- Administrative and resource costs to NFPs to run this technology:
 - greatest impact is on small and medium-sized NFPs;
 - specialist knowledge is required

Benefits

- Utilising an exchange gives more control over buy and sell orders
- Able to specify the exact pricing and size of your trade
- You can specify terms of cancellation on a trade if required
- Utilising exchanges is a secure digital wallet meaning that coins and funds are safe for NFPs
- BitPay (2020) is an example of the option to allow businesses to accept cryptocurrency via email, website or in person via a smartphone
- Some exchanges (ie BitPay) claim that funds go directly to transferred account funds with zero price volatility or risk
- NFPs can tailor their blockchain app to individual organisation needs/requirements
- Insurance provides extra security against hacking of digital wallets and the theft of cryptocurrency from digital wallets
- You are seen as an early adopter of the technology
- These technologies appeal to the new generations of donor

From the cost-benefit analysis above, we can see that there are some benefits that would assist NFPs in adopting blockchain and cryptocurrency technology as a way of accepting donations moving forward. It is important to also apply a risk analysis to the cost-benefit analysis to gain a full snapshot of the benefits and risks associated with employing these technologies, and should be done as part of due diligence by each NFP.

Are you looking to solve a problem, reduce internal/administration costs or increase transparency for donors?

Are you looking to increase donations from Gen Alpha, Gen Z and Millenials? Or increase the effectiveness of the donations received?

Solve one of these problems:
 – tracking an item through a supply chain
 – international aid fraud rates
 – optimise aid sent to foreign countries
 – increase transparency for donors

Automate a process
 – payments to beneficiaries
 – automate corporate partners' contracts to receive increased donations in certain conditions

Lower costs
 – International money transfer charges
 – reduced administration fees

Increase donations from current and future generations. Have you optimised your digital strategy to appeal to these younger generations?

Increase the dollar effectiveness of donations received by leveraging cryptocurrency price fluctuations.

Consider using blockchain technology
 to exchange tokens for money sent for foreign aid or to be able to track and record items through a complete supply chain.

Consider using Smart Contracts
 which automate a process if certain conditions are met.

Consider using cryptocurrency tokens
 in lieu of international payments sent for foreign aid.

Consider accepting cryptocurrency.
 Can be accepted in multiple ways by setting up a digital wallet, integrate into Point of Sale (POS) systems such as the wallets mobile app (scan and pay), payment terminals and online payment platforms.

Consider cryptocurrency liquidity pooling and yield farming.
 Similar to stock market trading, can result in much higher earnings from donations. Consider engaging an exchange platform that can facilitate the buying, selling and trading of cryptocurrency.

Consider your risk appetite and consult the risk register provided. Ready to get started? Do you have the **internal resources** (finance, compliance, IT) to identify the need for blockchain/cryptocurrency?

NO
 Enrol a current staff member in a blockchain course to help define the issue you would like to address, and set up an internal business case, or go directly to a blockchain consultant to assist with the definition process before the set up.

YES
 Engage a digital wallet provider or exchange platform directly to get started.

*Consider whether you can apply for technical support or funding through government bodies (and/or other charities/NFPs that could utilise same technologies



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Members can access the full report by logging into the FIA member portal on the FIA website.



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