WISE GIVING™ GUIDE

BBB WISE GIVING ALLIANCE : FALL 2022

CRYPTO-PHILANTHROPY

BBB

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Start With Trust

A Publication of the BBB Wise Giving Alliance

The *Wise Giving Guide* is published three times a year to help donors make more informed giving decisions. This guide includes a compilation of the latest evaluation conclusions completed by the BBB Wise Giving Alliance.

If you would like to see a particular topic discussed in this guide, please email suggestions to

guide@give.org

or write to us at the address below.

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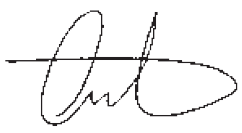
president's MESSAGE

How donors support the charities they care about has changed over time. The advent of new technologies present donors and charities with innovative tools and opportunities. In the not-too-distant past, people gave almost exclusively via checks in the mail. Today, donors give to charity online, via text message, contribute to crowdfunding appeals, donate stock or other property, and even contribute to a charity when checking out at the supermarket.

Recently, leaders across business and government have started to indicate that blockchain technology (the underlying technology behind cryptocurrency, NFTs and the metaverse) will play an important role in the future. In the charitable sector, we have already seen the growth of what we call crypto-philanthropy, and we believe it will grow in influence in the years to come.

To help donors and charities connect safely around these technologies, BBB Wise Giving Alliance launched the GiveSafely.io platform in July 2020. On GiveSafely, thanks to blockchain technology, donors can give to trusted charities (who meet the 20 BBB Charity Standards) via credit card or cryptocurrency, safeguard their personal data and earn rewards to engage with charities working on causes they care about.

In this edition of the *Wise Giving Guide*, we delve into what crypto-philanthropy looks like today, and what it might mean for the future. We hope you find the advice we provide helps you engage in this new space safely.



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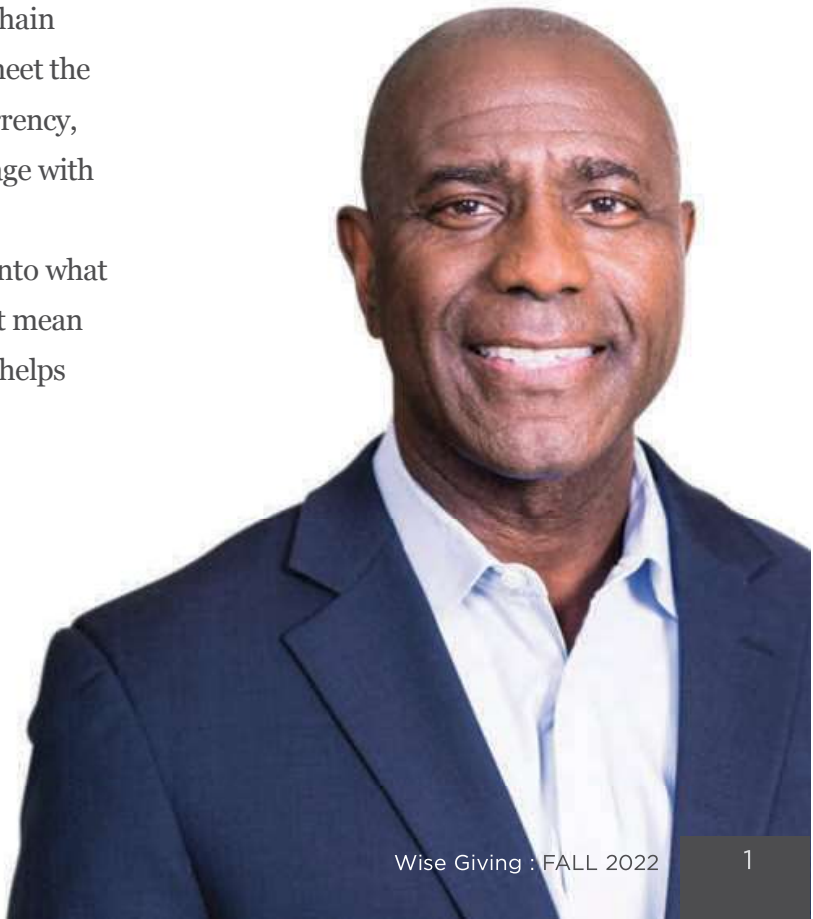

CRYPTO-PHILANTHROPY

By Ezra Vazquez-D'Amico

You may have noticed over the past few years that the terms cryptocurrency, blockchain, NFTs, and Metaverse have been popping up with increasing frequency. What are these new technologies about? What makes them different? Can they be harnessed to do good?

In July 2020 BBB Wise Giving Alliance (BBB WGA) launched GiveSafely.io, an online donation platform that provides donors a safe way to give to trusted charities (who meet the 20 BBB Charity Standards) via credit card or cryptocurrency. Since GiveSafely's launch, we have been working to help donors and charities understand and navigate the benefits and challenges associated with these new technologies. It's a complex and exciting space full of possibilities.

In this edition of the *Wise Giving Guide* we cover: Web3 and the Internet of value, what crypto-philanthropy looks like today, donor and charity crypto-philanthropy tips, and BBB WGA's GiveSafely platform.

Web 1: Read

Web 2: Read & Write

Web 3: Read, Write & Own

Web3: The Internet of Value

Cryptocurrency (crypto), NFTs, and the metaverse are all built on blockchain technology. They are part of what is called Web3 or the Internet of value.

When the internet first appeared, it allowed users to read text and look at media online. We could 'read' what was published, but not interact online with what we saw. That is what we call Web1.

Today's internet allows us to interact with the content we see online. In addition to 'reading' what's online we can 'write' comments, post media, add our own content, etc. We call this Web2. It started with blogs and evolved into the social media platforms we interact on day-to-day (Facebook, Instagram, Twitter, TikTok, etc.).

What makes Web3 unique is that the underlying technology (blockchain) allows people to transfer value to each other in a direct and verifiable way. You can own things online.

Maybe think of it this way: In the offline world, when a person buys or sells a house, the owner must transfer the deed to the new owner. This change of ownership is only valid if it is legally registered with the local government office. The government verifies that transaction has happened.

When a cryptocurrency token or a NFT is sent, the transfer of the item's 'digital deed' is verified and registered on a blockchain instead of the local government's office. Thanks to technological innovations, the blockchain is public (everyone can verify who owns what) and is immutable (the record can't be altered). Blockchain provides a trusted way to publicly transfer and record ownership for digital items.

Where did this all come from? Blockchain technology first appeared in 2009, when Bitcoin was created by the pseudonymous person (or persons) Satoshi Nakamoto. Since then, cryptocurrency use has grown exponentially, following an adoption curve similar to that of the Internet's early days.

At its peak in November 2021, the combined market cap of all cryptocurrencies reached over $3 trillion

dollars. The crypto market has since fallen significantly. As of this writing the total market cap stands at just over $1 trillion.

Private companies are betting on Web3. In 2021, venture capital investment in the space exceeded $33 billion dollars. Facebook changed its name to Meta and spent $10 billion on its metaverse projects. Microsoft acquired a gaming company called Activision Blizzard for $69 billion dollars, to further their metaverse efforts. This was the company's largest acquisition to date.

Individuals' use of Web3 has also increased. A March 2022 NBC News poll found that overall, 21% of Americans reported having traded or used crypto. The same poll found that half of men between the ages of 18 and 49 said they have dabbled in crypto. Yet only 19% of those polled said they view crypto positively and 25% indicated they view it in a negative light.

As with any technology, cryptocurrencies present both opportunities and challenges. There are valid concerns around scams, environmental issues, speculative hype, and unfulfilled promises. In March 2022, President Biden signed an Executive Order relating to digital assets. It outlined a government strategy to protect consumers, financial stability, national security, and address climate risks.

Blockchain: A blockchain is a decentralized public database (or ledger) that is written one block of data at a time. Blockchains are decentralized because they are continuously updated, verified, and secured in real-time by all the computers on the network. Anyone can access and read the ledger, but no one can change the blocks once they have been written, verified, and secured by the network.

Cryptocurrency: Cryptocurrencies are digital currency tokens built on the blockchain. The blockchain maintains a record of ownership, verifies, and secures every transfer. This allows cryptocurrency to be transferred directly from individual to individual in a trusted way without the need for a bank to verify the transaction.

NFTs: NFTs (Non-Fungible Tokens) are tokens that represent digital deeds of ownership to real-world objects like art, music, in-game items and videos, or even virtual assets like land in the metaverse. The blockchain provides public, immutable proof of ownership. Because NFTs are built on the blockchain, they can be sold and transferred in a trusted, verifiable way directly from individual to individual.

Crypto-Philanthropy Today

Similar to stock donations, the IRS classifies cryptocurrency donations to a public charity as tax deductible in-kind property donations. A December 2021 BBB WGA poll found that, among individuals who owned crypto, 75% reported that they would consider making donations to a charity via their cryptocurrency.

Cryptocurrency donations are on the rise. The Giving Block, a firm that processes crypto donations for many of the charities in the space, reports that they handled just over $4 million in donations in 2020, almost $70 million in 2021 and are on track to process over $200 million in donations this year.

In the wake of Russia's invasion of Ukraine, there was an outpouring of crypto donations to support the government of Ukraine as well as charities operating relief efforts in the area. Crypto was praised as a way of bypassing banks to get assistance across boarders quickly and directly.

Beyond crypto, NFT projects have shown philanthropic might. Many of these projects build communities around causes they care about. Some of these donate a portion of the NFT sale price to charities who work on the same cause. The Giving Block reported that NFT projects accounted for approximately $12.3 million of the donations they processed in 2021.

While it is still early, we believe that donors and charities should be aware of the opportunities these new philanthropic vehicles present. In particular, charities may benefit from exploring using them to build relationships with younger, tech-savvy donors. In the future, charities may even use these technologies within their programs. For example, the much talked about (yet still undefined) 'metaverse' may become a tool to connect virtually with donors and even a charity's own beneficiary communities.

Continued on next page.

Crypto-Philanthropy Tips

Tips for Donors

Slow down. The old adage that haste makes waste can also be applied to charity crypto donations. While the emotion of the moment may encourage making an immediate gift, legitimate charities will welcome donations anytime. Donors should always do due diligence in making informed giving decisions. In some ways, this is even more important with crypto donations since it is highly unlikely that donors can get their money back if they later realize a mistake was made. If uncertain, a donor might consider making a credit card gift instead where they have a better chance of reversing an error in judgment.

Always check out the charity. Don't assume anyone conducting a cryptocurrency donation drive has vetted featured charities. Donors should visit the charity's website to find out more about the charity's activities. Also, donors should visit Give.org to view evaluative reports that specify if the charity meets the 20 BBB Standards for Charity Accountability.

Verify the wallet address. While social media such as Facebook or Twitter may display ads or communications that provide a convenient wallet address to use to send cryptocurrency donations, it is safest to go to the charity's website directly or a trusted crypto-donation platform to make sure the address is genuine. There have been instances of scams in social media that direct crypto donations to false wallet address, forwarding donations to a charlatan's pockets.

Don't share blockchain passphrases. A passphrase is a 12-word phrase that serves to access a cryptocurrency wallet. Donors should beware of individuals offering assistance to help make cryptocurrency donations. These individuals may ask for a donor's blockchain passphrase or private key or even direct the donor to a fake site to enter their passphrase. Once they have that access to a donor passphrase, they can quickly empty the donor's cryptocurrency wallet into their own accounts.

NFT purchases that benefit charity. Cryptocurrency is used to purchase NFTs. Some NFTs are advertised as benefiting a charity. If so, donors should verify that the promotion clearly indicates what amount of the purchase will benefit the specified charity and how the benefits will be distributed. As always, a donor should check out the charity before making the purchase. Alternatively, some cryptocurrency donation requests may offer donors a gift, such as an NFT, for those who make cryptocurrency donations. If that is the case, a donor should look beyond the offered NFT benefit and find out if the charity is one that they truly want to support.

Tips for Charities

Don't dive in all at once. There is a lot of complexity in the Web3 space. A first step for a charity may be to start accepting crypto donations. A charity should understand what methods other charities use to accept crypto, the pros and cons associated with each, and choose which method best fits their organization. A charity should ensure there is buy-in from the charity's leadership and they have updated their organization's gift acceptance policies.

Follow the mission. With a proper approach, Web3 can help connect charities to individuals and communities who share their mission and help further the charity's progress towards its goals. A charity should avoid letting technology and unrelated opportunities drive their activities in the space. For example, if an organization's investment guidelines do not include agreeing to hold volatile assets they don't understand, it might make sense they avoid such activities.

Be aware of risks. There are potential risks to accepting partners in the Web3 space. Charities should properly assess counterparty risk as they would with any company when contracting service providers. A charity should consider reputational risks before lending their name to projects or accepting donations that it doesn't fully understand. When

considering new activities, a charity should think through potential criticisms from their traditional donor base and be prepared to answer their questions and address their concerns.

Build relationships. A charity's ability to fulfill its mission depends on the trusting relationships it has built with donors, communities, and collaborators. As in the offline world, building meaningful relationships in Web3 is an investment that takes time. A charity should start slow and build with long-term goals in mind.

Seek trusted guides and collaborate. We are still in the early days of Web3 technology. We are all figuring it out together. A charity should draw on its network and seek communities of charities (like GiveSafely) where it can draw on lessons learned, explore ideas together and help shape the Web3 philanthropic space for the future.

BBB WGA's GiveSafely

As we started to explore the Web3 philanthropic space we quickly identified three needs: 1) a way to connect donors with trusted charities using these new technologies, 2) guidance, tips and advice for donors, and 3) guidance, tips, advice and a community of collaborators for charities as they entered the space.

To meet these needs, we launched the GiveSafely.io platform and have implemented a number of donor and charity education programs.

The GiveSafely.io platform: Connecting Donors with Trusted Charities

GiveSafely is an online donation platform that provides donors a safe way to give to trusted charities via credit card or cryptocurrency. GiveSafely uses blockchain technology to secure donor data and rewards donors for sharing personal information with charity experiences around causes they care about. GiveSafely takes no transaction fees.

GiveSafely only lists trustworthy charities: Unlike platforms which list all charities—trustworthy or not—on GiveSafely, donors only find charities that have been accredited by the BBB. This means that each charity's governance, results reporting, finances, and fundraising practices have been evaluated and the charities meet the 20 *BBB Standards for Charity Accountability*.

GiveSafely secures donor data with blockchain technology: All data shared by donors is encrypted directly onto the blockchain. Thanks to this technology, there is no central database of donor information that could be hacked, monetized, sold to third parties, or misused. GiveSafely has no contact with donations or donor data. Donors choose what data to share, and the data only goes to the charity they donate to and the charity with whom they redeem their rewards.

GiveSafely rewards donors with charity experiences around causes they care about: When giving, donors are required to provide their name and email address. This automatically earns the donor three GivingPoints. Each additional piece of information a donor chooses to share will earn them additional GivingPoints. Donors can later redeem these GivingPoints for experiences such as a 15-minute conversation with a charity staff person about a particular cause and learn more about that organization and its programs.

GiveSafely allows donors to give cryptocurrency to charities: On GiveSafely, in addition to credit card donations, donors can give their Bitcoin, Ethereum and Ardor to the listed charities. GiveSafely has no contact with donations: all cryptocurrency donations go directly from the donor to the charity.

For more information, please visit GiveSafely.io or contact the author, Ezra Vazquez-D'Amico, at evazquezdamico@give.org