**FINANCE**

# Is cryptocurrency the new

Blockchain platforms are helping nonprofits ride the cryptocurrency wave at a time when they need funds the most.

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*By Rodika Tollefson*

For the last few years, philanthropic organizations have been dipping their toes into cryptographic asset donations such as cryptocurrency and nonfungible tokens (NFTs). Multiple platforms have sprouted up to facilitate these transactions, often tapping into younger demographics that traditionally lag in charitable giving.

These platforms help nonprofits ride the cryptocurrency wave at a time when they need funds the most. But some industry stakeholders believe blockchain's potential goes far beyond fundraising—from bringing more transparency and democratizing giving to decentralizing governance and fostering social change.

## The rise of Web 3.0

To understand that potential, think of cryptocurrency and blockchain technology in the context of a new paradigm, or Web 3.0, says Robbie Heeger, president and CEO of Endaoment, a community foundation that enables donors to make tax-deductible crypto donations, and the first 501(c)(3) nonprofit built directly on—and powered entirely by— the Ethereum blockchain.

The early internet, or Web 1.0, was about indexing the world's knowledge, he says. Web 2.0, with its rise of social media, was about indexing the world's people. And now, Web 3.0 is about indexing the world's value—so cryptocurrencies and other digital assets are akin to early websites and social media platforms.

"It's the first time that we're seeing programmable indexable value that you can transfer through the internet without any trusted third party," he says. "There's an explosion of internet-based software development that allows for people to interact with things of value in new ways."

Charitable giving, in turn, is one of the myriad applications for programmable indexable value, allowing individuals to "move value to a cause or issue area that they care about and want to support," Heeger says.

Photo by André François McKenzie/Unsplash

## Tapping new wealth

Ever since the United Way pioneered the idea of accepting cryptocurrency in 2014, both philanthropies and philanthropists have jumped on board. Endaoment is a case in point. By the time the organization turned one year old in October 2021, it had about 200 verified nonprofits on its platform, with almost $5 million in donations received and nearly $4 million granted out.

Endaoment is one of several platforms that accept donations of crypto or other assets on behalf of other nonprofits. In Endaoment's case, donors simply connect an Ethereum-enabled wallet, such as MetaMask or Coinbase Wallet, to the Endaoment application.

"When donations are received, Endaoment programmatically exchanges the assets for USDC stablecoins to ensure the value of the donation remains consistent regardless of market volatility," Heeger explains.

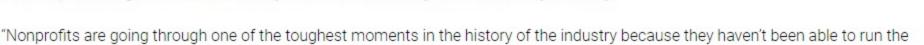Recipient organizations can receive their funds either in U.S. dollars via a bank wire or access the USDC stablecoins directly in the organization's cryptocurrency wallet. One reason nonprofits are drawn to Endaoment, in particular, is that they can use the platform completely free.

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> —Robbie Heeger, president and CEO of Endaoment

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And nonprofits, regardless of where they look for funds, sorely need the money currently.

"Nonprofits are going through one of the toughest moments in the history of the industry because they haven't been able to run the programs they depend on during the pandemic," Heeger says. "Getting access to capital in new and innovative ways is critical to their survival—and there's this new asset class emerging that's created around $2 trillion in wealth."

Individual donors are the backbone of charitable giving. In 2020, 69% of charitable giving in the U.S., for example, came from individuals. The average age of a U.S. donor is 64. According to the Blackbaud Institute, "long recognized as one of the most reliable predictors of giving, age reflects life experience and connections to earning capacity and relative debt reduction."

But cryptocurrency could change that. Digital currencies are "creating new wealth in a cohort that's predominantly younger"—and this cohort cares about issues important to them, whether that's climate change or social justice, Heeger explains.

Another plus: The technology is much easier to comprehend for the younger generations like millennials, who grew up with the internet. Consequently, they also understand the value of digital currencies better, Heeger adds.

"Historically, big-dollar philanthropy has been relegated to older generations," Heeger says. "What we're trying to do at Endaoment is put in front of this new cohort a philanthropic foundation that looks, feels, behaves and participates in the broader digital asset revolution in a way that speaks to their values and to the technology."

## Running a nonprofit on blockchain

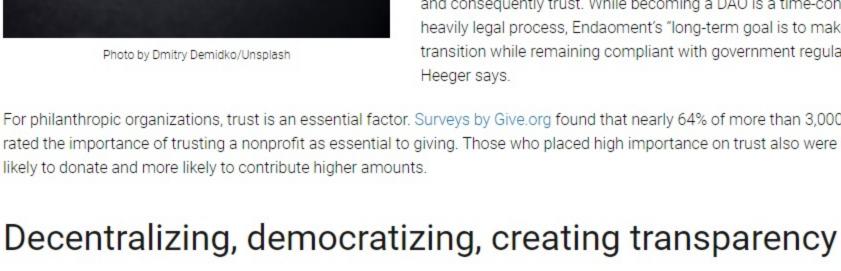One way Endaoment speaks to those values and the technology is by running its administrative execution—accounting and treasury functions, as well as donation receipt and grant delivery—on the Ethereum blockchain. For operations, Endaoment uses smart contracts, computerized transactions that are stored on the blockchain and execute themselves automatically when certain conditions are met.

Photo by Dmitry Demidko/Unsplash

This smart contract technology allows Endaoment to run a lean organization, eliminating what would normally entail several teams of people. Think of it as several suites of software, rolled into one and fully automated.

The next level would be a decentralized autonomous organization (DAO), a community-driven governance system that runs on blockchain. That means members would use their DAO tokens to vote both on leadership and funding proposals, increasing transparency—and consequently trust. While becoming a DAO is a time-consuming, heavily legal process, Endaoment's "long-term goal is to make that transition while remaining compliant with government regulations," Heeger says.

For philanthropic organizations, trust is an essential factor. Surveys by Give.org found that nearly 64% of more than 3,000 people rated the importance of trusting a nonprofit as essential to giving. Those who placed high importance on trust also were more likely to donate and more likely to contribute higher amounts.

## Decentralizing, democratizing, creating transparency

Transparency is one of the aspects that drew the founders of Decentralized Pictures Foundation to blockchain. The nonprofit organization's platform uses smart contracts to provide financial awards and support to filmmakers while also decentralizing the decision-making behind the awards.

"As a nonprofit, transparency is very important to us, and by using blockchain technology, we're achieving that goal because all project submissions and the financing awards are recorded on the chain, and that ledger is auditable and immutable," explains co-founder and CEO Leo Matchett, an Emmy Award-winning film producer and early Bitcoin adopter.

Industry veterans including Matchett and Roman Coppola launched Decentralized Pictures as a community of filmmakers and film connoisseurs to support emerging filmmakers, especially from underrepresented and underprivileged communities.

In Hollywood, Matchett explains, success highly depends on who you know, and typically small groups of people make all the decisions. Decentralized Pictures Foundation wants to turn that idea on its head.

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In addition to using blockchain, the organization has developed a unique digital currency called FILMCredits to incentivize participation in the community. Participation can be anything from providing opinions on a rough cut to voting on which film should be funded, and participants can earn tokens they could redeem just as they would any cryptocurrency.

"We're decentralizing the decision-making process and opening it to a community of people who love films instead of having a small group of people who are very difficult to access," says co-founder Mike Musante, who's also head of production at American Zoetrope, founded by Coppola.

## Impacting social change

Decentralized Pictures, which is still in beta, has recently funded its first project. Matchett acknowledges that there are still hurdles ahead, considering how novel, experiential and complex the technology is.

But in the long term, he and Musante see the potential for creating a platform that can contribute to social change. Besides supporting underrepresented young filmmakers in general, Decentralized Pictures could help them tell stories about important social issues—issues that philanthropists want to shed light on and a community of users validate as important.

"There's something romantic about having a public fund that anyone in the world can access to tell a story that's important to them, as long as they can prove to the world it's important," Matchett says. "And it's going to be a democratically selected film for funding because the world has agreed that film is important."

Heeger, too, thinks cryptocurrency and the blockchain have a huge potential of impacting social change beyond philanthropic fundraising. As one example, cryptocurrency could help billions of people who are unbanked or underbanked and don't have access to low-cost capital to finance a business or buy a home.

"There's stuff out there for the crypto space that we can't even really imagine or dream up of because we never really had programmable money before," he says. "There are lots of ways to put these money 'blocks' together to build the mechanisms for impact, and we're just beginning to scratch the surface."

*Lead photo by André François McKenzie/Unsplash*

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