

Charities open coffers to cryptocurrency donations

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Guests mingling at a recent gala for the Spare Key charity didn't know it, but they had entered a new frontier in nonprofit fundraising. Folks who bought auction items ranging from French wine to a Mexican vacation were allowed to pay with check, credit card - or cryptocurrency.

Cryptocurrency?

It's a term used to describe virtual currencies with names such as bitcoin and dogecoin. They don't exist in paper or coin form but are downloaded from a virtual wallet, often on the owner's cellphone, to the charity's website, which is equipped to convert it to cash.

Spare Key is one of the first Minnesota nonprofits to make an appeal to cryptocurrency holders, and is among a tiny but growing group nationally.

In March, Spare Key even hired a consulting "director of cryptocurrency development" to build online infrastructure and facilitate donations by tech-savvy [currency](#) users - who it believes are a largely untapped market of donors.

"We are venturing into the unknown bravely," joked Erich Mische, executive director of Spare Key, a Minneapolis nonprofit that provides emergency mortgage and rent payments to families with critically ill children in the hospital.

"The demographic of people participating in the cryptocurrency economy are not people who normally contribute to Spare Key," he said.

That demographic is embodied by Erik Goebel, a 29-year-old University of Minnesota graduate student studying chemistry, a self-described geek who "likes to experiment with new technologies and try new gizmos and gadgets."

He showed up at the Spare Key auction after learning about the nonprofit's move into virtual currencies on Reddit.com. He had donated to a couple of charities online in the past, such as the Jamaican Olympic Bobsled Team, but never in the real world.

"This was the first time I paid for something in person with cryptocurrency," said Goebel. "It was pretty awesome. To take my phone somewhere and use my virtual currency and receive physical items back - that was really cool."

Virtual currencies can be bought and sold at online currency exchanges, much like stocks, with exchange rates that vary daily. Bitcoin, the best-known, started in 2009. Since then, there's been an explosion of others.

The currency is not backed by any central bank or tied to any nation, which creates risks for users. In February, for example, a leading bitcoin exchange called Mt. Gox filed for bankruptcy, claiming it had lost 750,000 of customers' bitcoins to computer hackers and saying that \$27 million in Japanese bank accounts was missing.

Regardless, the currencies have been embraced by libertarians, speculators and traders who like the anonymity and ease of the transactions, as well as the ability to transfer money anywhere in the world without fees.

Young, tech-savvy folks are core users, part of a socially conscious generation accustomed to donating to causes in nontraditional ways.

During the silent auction at the Spare Key gala, Goebel used a currency called dogecoins to pay for a bottle of cherry rum, two restaurant certificates and an extra \$25 donation.

To make the purchase, he pulled out his cellphone, opened up his dogecoin account, and transferred 90,000 dogecoins to Spare Key's website. That's roughly \$90.

Spare Key, meanwhile, has an arrangement with an online payment processor called Moolah, which captures crypto currency and converts it to U.S. dollars.

Sitting in front of his computer last week, Mische demonstrated how the transactions appear on his end.

"Did you see that?" he asked suddenly, pointing to his computer screen. "The exchange rate just changed."

Those fluctuating rates are one of the greatest risks - and rewards - involved in using digital currency.

"If you have 10 bitcoins donated one day, it could be worth half that the next - or 20 times more," said Nick Holland, senior payments analyst at Javelin Strategy & Research, a California-based firm that analyzes consumer payments behavior.

The upside for charities, however, is there are no transaction fees, so the entire donation goes to the cause, he said.

The currency is of "extremely limited use" right now, said Holland,

"unless you count taking funds out and putting them in. But it is finding its way," he said.

That anonymity can attract the less-than-scrupulous. For example, Bitcoin 100, a national nonprofit devoted to encouraging charities to accept digital currency, received several donations from someone who later acknowledged he had "stolen" the currency. Charities will need to decide whether they want to risk taking tainted money.

Regardless, there can be a significant amount of cash in the hands - or cellphones - of digital currency holders, in particular those who invested early and saw their fortunes rise.

Optimistic about the financial implications for nonprofits, Mische is hosting an April 16 meet-up on digital currency and its role in the nonprofit sector.

Meanwhile, folks like Goebel hope the number of charities accepting digital currencies rises. It could be both a financial lift for charities and a boost to the legitimacy of the currency.

"It's exciting to see a real-world charity joining the crypto community," he said.

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